HOUSING IN THE NORTH END

STRATEGIES FOR LOW AND MODERATE INCOME HOUSING DEVELOPMENT

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Strategies for low & moderate income housing development.

Prepared for the North End Neighborhood Task Force in cooperation with Boston College School of Social Work with assistance from Edward McFarlan, Department of Architecture, Massachusetts Institute of Technology.

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A C K N O W L E D G E M E N T S

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SECTION I: INTRODUCTION

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A. PURPOSE

The purpose of this report is to (1) determine whether displacement of North End residents is currently occurring; to assess the potential for future displacement of low and moderate income families and individuals; (2) outline programs and alternatives available to the North End community and develop a viable housing strategy for the North End which would best meet future housing needs; (3) supply information for the North End Neighborhood Task Force (herein called "NENTF") to apply for federal, state and local or private grants for housing needs; and (4) form a base for planning future housing strategies for the North End community.

B. APPROACH

The report is presented in two major parts. Part One focuses on the broader national urban policy issues dealing with revitalization of cities, housing needs, gentrification and the issue of displacement. This is followed by a description of the external and internal forces impacting on the North End that are contributing to current displacement, and predict the future potential for displacement. More specifically, this will include: first, external forces such as the development of the Waterfront; the North Station area project and the proposed depression of the Central Artery.

Second, internal forces including demographic changes in respect to the total population; and the residential and environmental changes that have impacted the market, including the rate of owner-occupancy; the rental levels; the unit types; the different levels of rehabilitation that have taken place; and the vacancy rate in the North End. Third, this section will briefly examine the role of the public sector in the North End and, finally, the potential for future change.

Part Two outlines and describes the programs available to the North End and their applicability. More specifically, this will include an overview of the types of housing programs available, such as: housing assistance programs, cash transfers, including loans, grants, subsidies; and in kind programs like tax benefits, mortgage insurance, etc. Plus the market regulatory programs that affect rents in the North End, including speculation tax and rent control. This section will also analyze the programs in terms of strategies they can support and who can undertake them - that is, what role can the private sector, the public sector and non-profit corporations play in developing these strategies. Finally, this section will develop the major recommendation - the implementation of a Community Development Corporation in the North End.

C. MAJOR FINDINGS AND HOUSING NEEDS

Change has been slow but consistent in the North End. The poor condition of the housing stock presents a future potential for rehabilitation and consequent higher rents. Demographic changes include: the increase of young professional people and the decrease in Italian and blue collar persons. The impact of these trends creates a market for high rental units and condominiums, consequently encouraging major rehabilitation work which has up to this point impacted rents dramatically and will continue to do so in the future. Future rehabilitation of substandard units will require some subsidy intervention for lower income individuals and families. Public funding can have a minimal impact on housing and meeting the needs of lower income persons, therefore, the implications tend to focus on the combination of the private and public sector to be used as a resource.

D. RECOMMENDATIONS

The major recommendation of this report the development of a Community Development Corporation (CDC) in the North End. The advantages of this approach include: that it first enables low cost rehabilitation of the housing stock; second, it can be responsible for the creation and implementation of new housing programs; third, that it is a

community controlled non-profit corporation; and fourth, that it can bring together existing funds and programs and provide an opportunity to develop a housing strategy. In addition, the role of the Community Development Corporation can vary from being a contractor with the community, to acting as an administrator for community organization of housing programs, providing technical assistance, organizing for the community, and acting as a conduit for Section 8 money and other programs. Finally, the CDC can act as a land trust and be involved in the buying and selling and renting of buildings and units. This section will conclude with how one can implement a Community Development Corporation.

While the major recommendation of this report focuses on a neighborhood organizing strategy which will lead to the development of a Community Development Corporation, it is recognized that other options are available to the North End Community and can be simultaneously acted upon. These options include strategies which will aid individuals and already existing agencies,as well as joining in city-wide efforts to fight displacement.

SECTION II: DISCUSSION OF THE PROBLEM

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A. NATIONAL URBAN POLICY ISSUES

From Boston to San Francisco, this nation's cities are experiencing severe fiscal crises. Faced with fiscal collapse and declining federal assistance, municipal officials must adopt an investment strategy using their scarce public resources to attract private funds to revitalize their city's declining neighborhoods.

Neighborhood revitalization has become the cornerstone of this nation's urban policy. Unlike the urban development programs of the 1960's, which were publicly financed, federally initiated and city or district-wide in scope, cities now are faced with privately financed, locally initiated residential development activities covering relatively small areas. This shift, characterized at the same time by the "New Federalist" revenue sharing approach toward allocating money to cities and states, was made into law on August 22, 1974, when President Ford signed the Housing and Community Development Act of 1974.

The stated intent of the Act is to contribute "to the development of viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities for low and moderate income people." However, the neighborhood revitalization process, in some

instances, has resulted in the recent phenomenon of turning over entire sections of cities to developers, bankers and realtors, leading to the displacement of residents and the breakdown of community life.

The individual decisions that lead to neighborhood revitalization are based on a complex mixture of housing market dynamics, neighborhood confidence, demographic pressure, changing lifestyles, accessibility of funding through government programs in some instances and private institutions in others, and a significant element of expectation on the part of individual homeowners. Primarily, the neighborhood revitalization process requires private investments by outside investors taking risks on the possibility of a neighborhood's future. (Clay, 1978)

The intent of this section is to look at a number of the factors involved in the neighborhood revitalization process which can lead to the displacement of low and moderate income people. It is important to note that this nation's government has recognized major problems in housing and community development for well over a quarter of a century. The neighborhood revitalization urban policy of today is one more attempt to rectify these problems.

1. A NATIONAL HOUSING CRISIS: HOUSING MARKET DYNAMICS

Thirty years ago, this country voiced its commitment to provide decent housing for every American. Yet today, the nation is experiencing a severe housing crisis. "There are not enough dwellings in decent condition, at appropriate locations, with required amenities and secure tenure and at bearable prices." (Stone[b], 1977)

Housing is generally accepted to be a basic necessity in life. Nonetheless, housing is typically the second highest expense of a family of four living in Boston.

TABLE 1.

HOW MUCH IT COSTS TO LIVE IN BOSTON
(FALL 1977, FAMILY OF 4, LOWER BUDGET)

According to the U.S. Bureau of Labor Statistics, in 1977, a typical four-person household in the area needed an annual income of $11,481 just to maintain the minimum adequate living standard. (Boston has the highest living cost in the Continental United States.) At this income level, a family can afford to spend about $2,438 for housing -- about 21% of its total budget. Another 29% goes for food, and 15% goes to income and social security taxes.

TABLE I

HOW MUCH IT COSTS TO LIVE IN BOSTON

(FALL, 1977, FAMILY OF 4, LOWER BUDGET)

TOTAL $11,481

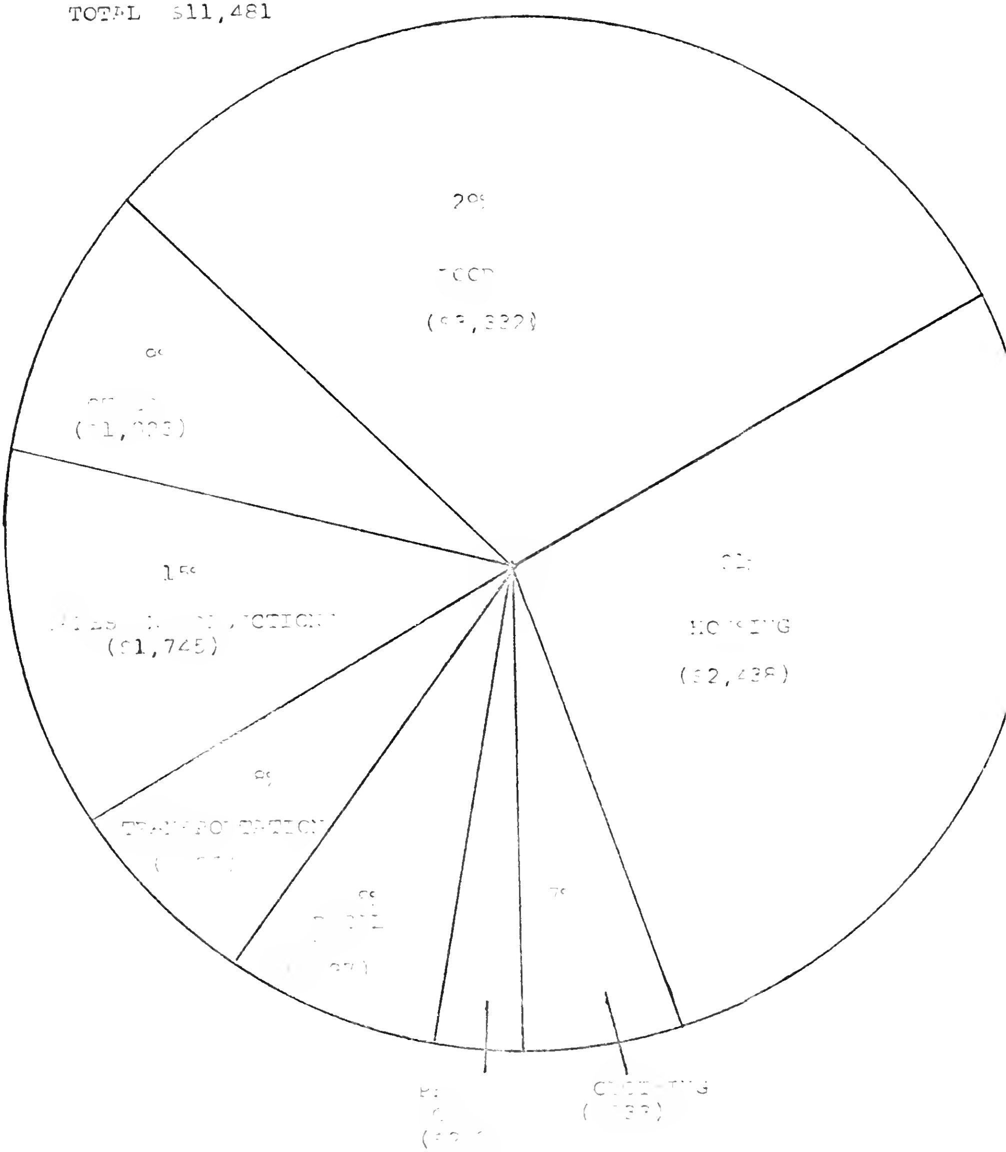

TABLE 2.

MAXIMUM AFFORDABLE HOUSING COSTS
FOUR-PERSON FAMILY, BOSTON (FALL, 197[illegible])

INCOME $ PER YEAR	MAXIMUM AMOUNT AVAILABLE FOR HOUSING		
	$ PER YEAR	$ PER MONTH	% OF INCOME
$ 7,000 or less	0	0	0
$ 8,000	389	32	4.9%
$ 9,000	$ 1,103	92	12.3%
$10,000	$ 1,802	$ 150	18.0%
$11,000	$ 2,499	$ 208	22.7%
$12,000	$ 3,202	$ 267	26.7%

SOURCE: HOSTAGE: HOUSING AND THE FISCAL CRISIS

Table 2 shows the maximum amount that a four-person family can afford to spend on housing in Boston if they earn anywhere from $0-$12,000, assuming they have the same non-housing expenses identified in the Bureau of Labor Statistics "Lower Budget." It shows that in Boston, in 1975, for a typical family of four with an income of less than about $12,000 a year, 25% of one's income (the nationally set standard which indicates a reasonable proportion to spend on housing) is too much to pay for housing. Indeed, for a family of four earning $7,000 or less, any amount spent for housing is more than they can afford.

The costs of housing are high simply because housing is expensive to build and maintain. For both homeowners and tenants, monthly mortgage payments are the biggest part of housing cost -- usually from 30%-50% of the total cost of occupying housing. "Studies reveal that typically, for both renters and homeowners, about one-quarter of monthly occupancy rates goes toward property taxes and one-quarter for utilities, maintenance, repairs and overhead. The other half represents profits for the investor in property, i.e., the owner of record and the mortgage lender(s)." (Stone[b], 1977)

Monthly mortgage rates are high for several reasons. First mortgage payments reflect the rising cost of housing production, including the cost of land, labor and materials as well as interest on a construction loan. The most important factor affecting monthly mortgage payments, though, is the rising cost of interest on long-term loans used to buy homes or apartment houses. As interest rates have generally risen over the past ten years, thrift institutions and other private lenders consequently have charged higher and higher interest rates on mortgage loans. Since 1967, the average mortgage interest rates have increased from approximately 6% to approximately 11%. This is almost an increase of 80%.

Rising interest rates have an even greater impact on the monthly cost of owning or living in a house because the cost of a typical single family house has also doubled since 1967. For example, if a person bought a house in 1967 for $20,000 with a 25% down-payment ($5,000), the person's monthly mortgage payments at 5.6% would have been about $93.00. But, if the same house was bought today for $40,000 with a 25% downpayment ($10,000), the mortgage payments alone would cost about $267.00 per month. This represents an increase of nearly 200% in addition to a 100% increase in the required down payment.

2. DEMAND FOR HOUSING

Housing is the type of commodity which is relatively stable and thus unresponsive to changes in demand. The relatively fixed nature of housing supply would not be terribly significant if it were not for certain features of housing demand. First, the need for housing is constantly expanding. (Joint Center, 1977) Second, as the demand for housing increases, prices of housing tend to rise. Since housing is a basic necessity, consumers generally have no choice but to pay the increase in price.

Boston is a prime example of this second fact. Boston has had some form of rent control since 1968. However, apartments vacated since December 31, 1975 are now exempt from rent control. Since rent decontrol, rents in Boston have gone up 10%-20%. The Boston Rent Control Department, recently reported in the Boston Globe, that in the last year alone, rents have gone up by 22%. In the last ten years, rents in Boston have gone up 67.5%. However, Boston's cost of living has gone up 85.5%. Landlords attribute the large increases in rents to the need to bring depressed rents caused by rent control up to the market level.

The demand for housing today in Boston is phenomenal. Lack of any major apartment construction program, increased condominium conversion of existing rental properties in the inner city and an increased market from young professionals and newly-formed family units are combining to give Greater Boston one of the tightest rental markets the area has ever experienced." (Yudis, 1978)

Increased demand for housing in the Boston area is also seen in the rise in home ownership. Despite the all time high level of taxation and high interest rates on mortgage loans as well as the new low level

of governmental spending, today's demand for housing at any price is rapidly increasing. People simply are willing to spend a higher percentage of their income to become homeowners.

More conservative sources attribute the rising demand for housing to the consumers' desire to upgrade their housing accommodation. Strong increases in employment levels and dollar income provide the ability for consumers to translate their actual desire into demand. (Wetmore, 1978)

Other sources, however, recognize the fact that home buyers today are more sophisticated than ever. (Dorman, 1978) With inflation steadily getting worse and concomitant rises in interest rates, home buyers realize that it is more profitable to borrow money today (even at high rates of interest) and invest in housing stock than any other commodity. (Stein and Stein, 1978)

Because people now realize that home buying is a way to "beat" inflation, Joseph T. Benedict of the U.S. League of Savings Associations, at a recent realty convention in Boston, stated that "our nation is in the beginning of what may be the biggest housing boom of all times, a fact which makes community revitalization and and the preservation of our existing housing stock more

important than ever." Benedict feels that we are seeing the firm beginning of a return to our cities. "Many people, especially many of our younger people, are finding that some true housing bargains exist in the once forgotten neighborhoods of our cities."

3. NEIGHBORHOOD REVITALIZATION: THE NATION'S URBAN POLICY

It can be seen that the development of our nation's urban policy was prompted by two interrelated factors: First, the existence of a national housing crisis in which the demand for "decent" housing at reasonable prices far outweighs the supply of such housing. Second, the fiscal and social problems of nation's urban centers have directly or indirectly contributed to the physical decline of some of the centers' neighborhoods. With a high demand for decent housing and the availability of low cost housing in declining neighborhoods, the policy of neighborhood revitalization encourages the physical upgrading of urban neighborhoods to help alleviate the nation's housing crisis and help revive the city.

The intent of neighborhood revitalization is to upgrade the inner city housing stock for middle and high income people. By upgrading the housing stock and attracting people of some means to return to the city, it is felt that such revitalization will help eliminate

the city's fiscal problems by reviving the local tax base, attracting and expanding private enterprise and increasing public spending within the city.

Neighborhood revitalization has been promoted through the Housing and Community Development Act of 1974. From this point, the urban renewal programs of the 1960's were formally replaced by the Community Development Block Grant (CDBG) program. This move all but ended past subsidy programs for producers of housing by non-profit or limited dividend developers.

For the most part, CDBG funds are meant to be spent on physical or economic development activities in a city's neighborhoods. Anthony Downs of the Real Estate Research Corporation states that the main effect of the CDBG program is to create an intensive need for active participation of private investment capital in upgrading neighborhoods.

CDBG encourages local governments to put their major efforts into revitalizing marginally deteriorating neighborhoods in which the chances of both preserving those areas from further decay and helping attract private investment capital can be more readily enhanced and done with less cost. Downs states that not only should CDBG efforts

be put into marginally deteriorating neighborhoods but also those neighborhoods chosen should be ones which are close to park and other recreational facilities, accessible to the city's "downtown" and have the overall ability to attract young people.

By choosing some areas which are potentially attractive to young professionals and using limited federal funds to help upgrade the physical attractiveness of the area, the intent of the CDBG program is to promote confidence in the neighborhood's future which will encourage private investment and development.

The question which obviously comes to mind is, "What happens to the long time residents of these inner-city neighborhoods under neighborhood revitalization?" There seems to be a growing reliance on the filtering process through which low and moderate income people move into the housing left behind by those with more means who move into newer housing. (Welfield, 1977) The way the filtering process works under neighborhood revitalization is that the homes of low and moderate income people in the inner-city are rehabilitated into fashionable new apartments, condominiums or single-family homes. At first this rehabilitation is perhaps done by young, middle income people from the suburbs,

but eventually, large-scale developers and speculators take over. In the process, rents, property assessments and taxes may rise astronomically. As a result, the original residents of the neighborhood have to find some place else to live. Some people, if they have the money can perhaps filter their way out to the suburbs to take over the homes of the new inner-city dwellers. More frequently, these people become "Urban Nomads," who remain in the city. Where in the city, however, becomes harder and harder to answer.

4. REVITALIZATION AND GENTRIFICATION

Urban revitalization and displacement have been termed by the National Urban Coalition as the "Twin Phenomena." Although not all would agree (Henry, 1978), it is generally accepted that displacement has become a national issue. (National Urban Coalition, 1978)

> "The debate over the social implication of private market neighborhood revitalization tends to focus on the question of dislocation. Many community groups and some elected officials contend that the restoration movement fosters dislocation and transforms heterogeneous central city neighborhoods with a variety of incomes, ages and occupations into sanitized blocks of middle to upper income professionals with similar occupations and lifestyles."

The type of revitalization which generally causes displacement usually happens in neighborhoods where private

rehabilitation is done by outsiders. (Clay, 1978) This process of displacement more frequently is being referred to as gentrification -- a term coined by British planners to describe the imposition of a higher-class population in a lower-class area. (Kopkind, 1977)

In the Fall of 1976, the National Urban Coalition began a national study of the "Twin Phenomena." In the study, the Coalition found four distinct phases of rehabilitation activity which led to displacement:

(a) The Start-Up Phase in which the rate and scale of rehabilitation work is small. The diversity of neighborhood life and the low cost of housing are the two most important attractions to prospective renovators.

(b) The Buy-In Phase where rehabilitation work spreads to surrounding areas and slowly increases in frequency. Despite the negative attributes which may exist in an inner-city neighborhood, confidence in the investment value of the neighborhood grows and an increasing number of people "buy-in."

(c) The Take-Off Phase in which confidence in the neighborhood's future is established. As a result, speculative rehabilitation activity increases since there

now is a growing demand for the area. The maximum displacement impact occurs in this phase as rehabilitation of the entire neighborhood begins to appear inevitable.

(d) The Fill-In Phase where the finishing touches are put on the neighborhood and those few properties which remain unimproved are bought and improved. Property values rise dramatically.

The Coalition found a number of significant findings on the gentrification process which have been substantiated by a recent study on neighborhood revitalization which has been done. (Clay, 1978) Some of the findings are as follows:

(a) The incomes of households moving into neighborhoods under private market rehabilitation are higher than those of previous residents.

(b) Professional and white collar workers tend to displace blue collar workers and the unemployed.

(c) Singles and couples, with or without children, are moving into neighborhoods under rehabilitation in significant numbers.

(d) The elderly are most often displaced.

(e) Homeownership increases substantially; renters are displaced.

(f) Neighborhoods closer to the downtown business district are most likely to be gentrified.

(g) The newcomers have an interest in older housing because of its quality, durability and architectural value.

(h) Despite the architectural value of the housing, long-time residents of the neighborhood resist applications for historic designation.

(i) Easy access to transportation becomes an important factor in attracting investment into the area.

(j) Long-time low income residents who feel that they are being pushed out have not necessarily formed an organized effort on their part.

(k) There is a correlation between the amount of city-wide rehabilitation, the extent of speculative rehabilitation and the degree of awareness of dislocation as a problem. In those urban areas with extensive rehabilitation, dislocation was often seen as a function of speculative activity.

Privately-financed neighborhood revitalization which leads to displacement has no easily-delineated beginning. The Coalition study found that some city neighborhoods have been considered desirable for decades. However, from 1969 on, the incidence of rehabilitative work began to

increase in urban areas. Just under two-fifths of all of the neighborhoods reporting saw the beginning of rehabilitation during the years 1972-1973.

In Boston, gentrification seems most evident in the South End. In the early 1950's, 5,000 persons were forced to move from what South Enders called the "New York Streets." (Henry, 1978) Today, gentrification and consequent displacement is taking place not only in Boston's South End, but also in Charlestown and the North End.

5. NEIGHBORHOOD REVITALIZATION WITHOUT DISPLACEMENT

There is certainly nothing wrong with better housing conditions and improved goods and services being brought into a neighborhood. However, the concern is that neighborhood projects include safeguards for the low and moderate income person who lives there. It must be possible for those living in an area to remain in that area if they wish. A community should be allowed to be maintained as a place open to all income levels.

A study done by Massachusetts Institute of Technology on neighborhood revitalization, as well as the National Urban Coalition study, points out that not all neighborhood revitalization efforts result in displacement. Rehabilitation undertaken by the long-time

residents who plan to remain in the area helps to stabilize the neighborhood. The MIT study refers to this type of revitalization activity as "incumbent upgrading" as opposed to gentrification.

Incumbent upgrading occurs most often in moderate income neighborhoods where revitalization primarily has been accomplished by existing residents, joined by some new residents, who are usually of the same socio-economic class, as part of a natural growth and turnover process. These neighborhoods generally have strong organizations and a sense of identification. There is substantial homeownership, housing of good quality and some sense that the neighborhood with its present population is at least an adequate environment.

The significance of the MIT study and its overwhelming recognition of "incumbent upgrading" lies in its detection of the "success that neighborhood initiative can generate and indicates the potential for public action (consisting mainly of resource allocation), in cases where initial individual investor/buyer interest may be weak." (Clay, 1978) The study also suggests that neighborhood organizations can curb or prevent gentrification efforts or change them to incumbent revitalization.

B. THE PROBLEM AS IT RELATES TO THE NORTH END: EXTERNAL AND INTERNAL FORCES

1. EXTERNAL FORCES

The impact of external development pressures on the North End is particularly exacerbated by the geographical context of the community; its immediate proximity to Boston's central business district has left the North End vulnerable to the ongoing economic and political changes in this area. The rapid decline of manufacturing and waterfront industries during the last 20 years, as well as the demographic changes in Boston's residential neighborhoods during the last ten years has created a climate of major economic redevelopment in the central Boston area.

The rapid transition to a primarily office-based downtown land use, led to the elimination of the West End's residential community in 1962. This was replaced by high rise government, institutional and office structures. This general trend has continued and is currently taking place, or is imminent, in several areas of downtown Boston, including the Charlestown Navy Yards, the North Station and South Station areas, and the Leather District. Along with these land use and employment changes is the demand for luxury and higher-priced

residential units. The return of a middle and professiona class residential population to the downtown area has had an impact on the North End. The conditions for this trend to continue in the future have been increased by recent development activity. Current and potential development areas that are contiguous with the North End and which will have a major impact on its future changes are:

(a) The Waterfront/Quincy Market Urban Renewal Area

(b) North Station Area

(c) Depression of the Central Artery

(a) The Waterfront

Although geographically part of the North End, the Waterfront Area has been socially and economicall segregated by the Urban Renewal Boundary. The development of 1000 luxury-market residential units and another 480 planned or underway in this Area has not only segregated most Italian or North End residents from this area, but has created a potential for radical change within the North End itself.

The conversion of the vacated manufacturing and warehouse structures along the wharf area into luxury residential units has been a response to the

arrival of a professional population into Downtown Boston. The population attracted to the Waterfront development is very different from that of the North End and cannot be considered an extension of the Italian community. While the North End population is largely blue collar and moderate-income workers, the Waterfront consists primarily of high-income professionals, skilled technicians and clerical workers. A 1973 BRA survey has shown that of the 775 households in the Renewal Area, 38% had incomes of over $25,000 and only 16% earned less than $15,000. This contrasts sharply with incomes in the North End for the same time period. Twenty-five percent of the population had incomes below $5,000 and only 3% earned more than $25,000. This has also shown that the North End residents average income level below that of the median Boston income as a whole.

Socially, the contrast between the two communities is also marked. The larger family and elderly population in the North End is based on tightly knit extended family networks. The Waterfront, on the other hand, has mostly small households. The majority of these households are either childless or do not have children residing at home. Forty percent of the households have one person and 48% contain only two persons.

The divergent housing needs of these two communities have been a major factor impacting change in the North End. The spin-off effects of this rapid creation of mostly luxury rental and condominium units in the Waterfront have begun to create a demand for these luxury-market units in the North End itself. These changes have been slowed particularly by the poor conditions of North End housing stock. However, the completion of most of the rehabilitated commercial buildings has begun to shift the future market emphasis to the North End. This is particularly true for units adjacent to the Waterfront Renewal Area itself. Here, building permit records have shown a significant amount of major building and rehabilitation. This has occurred not only in the vacated commercial structures, but in the residential stock along Hanover and North Washington Streets.

Subsidized units have been introduced into the Renewal Area. 160 units of subsidized elderly housing have been completed which contains 80% units occupied by former North End residents. This is also supplemented by 25% subsidized rental units in the Mercantile Wharf Building. However, this has

created a conflict as the apartments vacated by the elderly residents in the North End left units which were rent decontrolled and potentially open to major rehabilitation and conversion to higher-rent apartments.

It is evident that the Waterfront development is certainly the most critical development area to the North End. It is a major, ongoing pressure attracting a luxury-market residential population in the North End.

(b) North Station Development

Currently, the large warehouse and commercial district that lies on the western edge of the North End contains a large percentage of vacant or under-utilized structures. The area has many commercial and entertainment activities of dubious long-term potential. Its capacity for redevelopment, however, seems highly probable. Studies by the BRA have indicated that development interest does exist for large-scale investment in office conversions. The proximity of the area to Government Center as well as the hospital complex in the West End has created a favorable context for rehabilitation activity.

This trend, while not directly affecting the North End community, will continue the transition from manufacturing to office-based uses in the city. This loss of employment opportunities, critical to many blue collar workers, will make the downtown area a much less probable area in which to live by these groups. Increasing market pressures by office and professional workers for inner-city housing will be an increasing trend.

(c) Depression of the Central Artery

The future of the proposed depression of the Central Artery, although far from a certainty, would have a major impact on the North End and should be an important consideration for any decisions in the community. This development would remove the only physical barrier between the North End and Downtown Boston. Potentially this could open the community to even more development and speculative pressure. The newly-created land above the artery itself would be subject to high density development that would inevitably pressure land value increases.

2. INTERNAL FORCES

Current trends indicate a change in the demographic makeup of the North End and an increase in the cost of structures and rents as a result of rehabilitation construction costs and housing market pressures in general. Although these changes have been slow, they have been consistent. The potential for major changes in the future, however, is exacerbated by these continued and increased pressures in the North End. Inevitably the impact on lower-income individuals and families will be most severe and could potentially force many out of the neighborhood due to these market increases. Current and future changes in the North End can be attributed to both external and internal forces. The external forces impacting and accelerating the internal characteristics of change in the North End.

(a) Demographic Changes

After a period of decline in the total population between 1950 and 1970, the North End has experienced a modest but gradual gain in the total population during the 1970's. In 1950, the total population of the North End was 16,050; in 1960, this dropped to 11,[illegible]41 and still further to 10,134 by 1970. However, the most recent BRA survey

demonstrates an increase in the total population since 1970. The present 1978 estimate is 13,734. Based on this increase over the last eight years, the following projections illustrate the potential increase in the total population.

POTENTIAL INCREASE IN THE TOTAL POPULATION OF THE NORTH END

Year	Total
1950	16,050
1960	11,841
1970	10,134
1980	14,634
1990	18,106

This increase has been characterized by significant demographic changes that reflect in part the impact of the housing development surrounding the North End. These changes have included: first, an increase in the 24-34 year old age group (approximately 4% since 1970); an increase in the elderly (55 years and over), by approximately 2% since 1970; and a decrease in the number of families with younger children (approximately 3-5% since 1970). (See Table below which illustrates changes in age

characteristics. Note especially changes from 1970 to 1975.) This information is based on the 1960, 1970 U. S. Census and the BRA Profile.

CHANGES IN AGE CHARACTERISTICS FROM 1960 TO 1975

Age	% of total pop. 1960	% of total pop. 1970	% of total pop. 1975
1 - 14	23	18.3	13.3
15 - 19	7	7.6	7.8
20 - 24	7.7	8.8	10.5
25 - 34	12.5	11.7	15.8
35 - 44	14.7	11.1	8.2
45 - 54	12.2	14.8	15.0
55 - 64	8.9	12.9	15.5
65 +	14.2	14.6	13.9

Second, there has been a slight increase in the income level of the total population. Particularly those earning between 15,000 and 25,000 (approximately 12.5% increase between 1970 and 1975). See table listed below.

SHIFT IN INCOME LEVELS OF ALL
FAMILIES IN THE NORTH END SINCE 1970

Income Level	1970	1975	Change
Under $6,000	30%	36.5	+ 6.5
6,000 - 10,000	37%	28.	- 9
10,000 - 15,000	26	19.8	- 6.2
15,000 - 25,000	.09	12.6	+12.5
25,000 - over	.01	2.4	+ 2.4

(Census 1970 and BRA Survey)

Third, the changes in the income levels reflect a significant increase since 1970 in the Professional/Semi-professional/Secretarial occupations of the new residents. Between 1962 and 1976, white collar workers increased from 20% to 42%, while blue collar workers decreased in number from 68% to 35% for the same time period for the North End in general.

Fourth, the Census, the BRA Survey and other studies all indicate a drop in the number of persons of Italian ancestry living in the neighborhood (68%-62% from 1960 to 1970) and those coming into the neighborhood.

These internal demographic changes have gradually impacted the housing market in the North End. The potential for higher rents has increased the market value of the housing stock. This trend toward an increasing demand for housing in the North End will be an ongoing influence on housing costs.

(b) Residential and Environmental Forces

Historically, the housing has served as lower income tenement dwellings, most of which had no plumbing facilities. Often, units had very small room allocations. The ongoing upgrading and repairs required of older housing stock and contemporary space needs has been highly inconsistent in the North End. The 1975 BRA Survey has shown that as much as 32% of existing dwelling units still have either no plumbing facilities or inadequate plumbing; and that 1,100 of the 4,100 dwelling units needed $1,000 or more repairs to bring them up to code.

Essentially, case studies have shown that wide discrepancies exist in current levels of building condition and upkeep. Although many buildings are well maintained, possibly reflecting the relatively large percentage of owner-occupied buildings (between

40%-50%), until recently there has been little incentive for many owners to upgrade their substandard units. Recorded, as well as unrecorded, repairs and dwelling changes are continuously being undertaken; yet many units have been essentially untouched and remain in distressed conditions.

(i) Owner Occupancy

14.5% (560/3,873) of the occupied housing units counted in the 1970 census were owner-occupied, compared to 11.1% (440/3,978) in 1960. This represented a 30.6% increase of owner-occupied units in the North End, compared to a 3.4% decrease in owner-occupied units city-wide. Nevertheless, the percentage of owner-occupied units in the North End is still very small and is at only about half the size of the percentage city-wide. (14.5% versus 27.2%).

The number of buildings owner-occupied, however, is closer to 40%-50%. Since there are few condominiums in the North End we can assume that a unit which is owner-occupied is the same as a building being owner-occupied. From the 1970 census we can then estimate that approximately 560 buildings are owner-occupied in the North End.

This study has determined that the North End contains 962 residential buildings. These two figures indicate that 52.% ([illegible]60/962) of the buildings in the North End are owner-occupied.

(ii) Unit Types

In 1970, 84% of the housing units were between three and five rooms in size, with another 8% ranging from six rooms upwards and a final 7% sized at one or two rooms. The median number of persons per unit was 2.58% in 1970. A little more than half the units were occupied by one or two persons ([illegible]%) while the remainder were occupied by three or more persons.

The ratio of families to households was 67.1/100 in 1970. The corresponding figures for 1960 (2.94 persons per unit and a ratio of 77.6/100 family/households), seem to further point to a trend towards fewer families in the resident population (1973 Harvard derivation of census figures). However, the size of these units are on the whole small. Most apartments have undersized rooms or rooms that are unusable because of poor light or ventilation. Storage is a frequent problem in unrehabilitated units,

and many units have no general closet or storage space which has forced interior rooms to be used for this purpose. Kitchen and pantry space is a similar concern.

The larger space needs of families and the general shortage of these units in the North End has been an important housing conflict. The traditionally small tenement space allocations to families is no longer acceptable to many households and has forced many families to relocate to other areas of the city.

(iii) Rent Levels

Between 1960 and 1970, the median contract rent level rose from $34 to $65. This represents a 91.2% increase in rents in the North End compared to a 63.3% increase city-wide. (Harvard Study derivation of 1970 census figure - 1973). The median level of income rose 57% over the same period of time. According to the 1970 census, some 63% of the total rental units in the North End were occupied by tenants who were paying, 25% or more of their income towards rent; moreover, some 27% were paying 35% or more of their income toward rent. The 1970 census also indicated that

some 85.2% of the tenant population was paying less than $100 per month for rent, while 97% were paying less than $150 per month, and that less than a percentile were paying more than $200 per month. By 1975, the rent level had risen appreciably. The BRA telephone survey taken in 1975 showed only 40% paying less than $100 per month, while 80% were paying less than $150 and 2% were paying upwards $200 per month.

PRESENT ESTIMATED RENT LEVELS IN THE NORTH END

Type of Unit	Low Rent	Fair Condition	Good Condition	Luxury
1 bedroom	50 - 90	120 - 150	150 - 250	
2 bedrooms	70 - 90	140 - 160	150 - 300	400 and more
3 and 4 bedrooms	70 - 100	200 - 250	250 - 300	

Although significant rent differences do exist in the North End, rents have been somewhat stabilized by a large percentage of rent controlled buildings (approximately 50%). Many units have not had large rent increases for several years and, therefore, still offer a relatively cheap residential stock in Boston's

central city. However, this is indicative of the condition of the housing stock. Cold water flats or units that lack other plumbing facilities can rent as low as $50 per month for a two-bedroom unit.

(iv) Vacancy Levels

The vacancy rate is generally low in the North End, especially for units categorized as being in fair to good condition. The vacancy rate, however, for units in poor condition or lacking plumbing facilities was somewhat larger. The demand, however, for rental units but specifically condominiums in the area presently exceeds the supply.

(v) Rehabilitation

The following tables illustrate the extent and different levels of rehabilitation that have taken place in the North End since 1970. This information is based on building permits issued by the Boston Building Department over the past eight years.

LEVELS OF MONETARY INVESTMENTS IN THE
NORTH END HOUSING STOCK FROM 1970 -- 1978

Investment	% of Permits	% of All Investments in the North End	% Compared to the North End
No investment	656	0	68.2
$1 - 1499	159	52.0	16.5
1500 - 4999	66	21.5	6.7
5000 - 14,999	39	12.7	4.1
15,000 - above	32	10.5	3.3
No information available	10	3.3	1.0
Total Residential Buildings	962		

The findings of the study indicate that 306 buildings in the North End had work done on them through the legal channels of the Building Department. The majority of this work being considered minor rehabilitation. To this date, a relatively small percentage of major rehabilitation work has taken place. Major rehabing is mainly taking place on the periphery of the North End and at a slow but consistent pace. The following table illustrates this point.

SUBSTANTIAL REHABILITATION OF $15,000 OR MORE WHICH HAS TAKEN PLACE FROM 1970 TO THE PRESENT IN THE NORTH END

Year	Number	Percentage
1970 - 1971	0	0
1972 - 1973	11	37.9
1974 - 1975	8	27.6
1976 - 1978	10	34.6
Total:	29	100%

Although the rehabilitation in the North End shows a relationship to the development of the Waterfront, the changes have been relatively slow. Some stabilizing forces in the North End contributing to this are: (1) the existence of rent control (approximately 50% of all units), (2) the relatively higher owner occupancy of buildings (approximately 45-50%), and (3) the low reassessment of buildings after capital improvements (approximately 70% of the sample for this study had not been reassessed.

However, building rehabilitation activity as well as increased market value of properties in the North End has had an impact on raising

rents and are warning signs of the future. Typically, a two-bedroom unit with adequate services will cost between $120 and $1[illegible]0 per month. Similar family units of four-room apartments rent between $180 and $250 per month. However, tenant turnover has allowed units to be deregulated. Also, more recent pressures for downtown housing has allowed many landlords to do major rehabilitation of their units and, legally, rental units which have had over $10,000 invested are automatically exempted from rent control. Rents in these units have typically doubled. This major rehabilitation activity has essentially forced many tenants out of existing units and has enabled a new class of tenant to emerge in the neighborhood.

Another effect of rehabilitation has been the conversion of units into smaller dwellings and condominiums. Conversion was one of the most difficult variables to assess. According to building permit classifications, 51.7% of the total permits that exceeded $15,000 included a change in occupancy. Although the data is sketchy, the assumption can safely be made that many of these occupancy changes have conformed to the needs of

the incoming young professional group who can afford the rental increases.

While condominium conversions have primarily focused along the Waterfront, the demand for these units in the North End is increasing and can be expected to continue. Purchase costs have ranged from \$50 to \$100 a square foot on the Waterfront. Typically, an average 1,000 sq. ft. unit would cost \$70,000. Condominiums in the North End itself have generally sold for lower costs - between \$35 and \$50 per sq. ft. However, even at this price, units are beyond the purchase potential of most North Enders.

3. ROLE OF THE PUBLIC SECTOR:

Current housing programs found in the North End are severely limited. Presently, the Home Improvement Program is the only housing program focused specifically within the North End and goes towards housing rehabilitation. The BRA Survey estimates that since 1975 the city has allocated \$175,000 to the North End for the Home Improvement Program. There have been 131 homeowners who have participated in this program since its inception and the rebates issued have totalled \$82,357. Considering the number of homeowners, this is very low.

(A major reason the North End has under-utilized this program is that only those structures with six units or less are eligible and, therefore, this reduces the eligibility rate of the North End to 15% of all units).

Community Development Block Grant monies have been used primarily for capital improvements of community facilities in the neighborhood. $37 million was spent between 1968-1978 in public investments as opposed to $29 million that was invested on the Waterfront since 1968 as a primarily luxury community.

4. AN ASSESSMENT OF CHANGE TO DATE AND THE POTENTIAL FOR FUTURE CHANGE

First, although rehabilitation in the North End has been slow, it has been consistent. The impact on rents, especially for major rehabilitated units is dramatic. This has allowed the conversion of many North End units to luxury market rentals and condominiums and has created a wide discrepancy of rents in the neighborhood. In addition, the high percentage of substandard units will require major physical improvement and upgrading, but will not be accessible to existing North End residents without some subsidy.

Low market demand for North End structures has historically allowed many persons in the Italian neighborhood to acquire units. Acquisition costs for buildings

in the North End have risen because of current strong market pressures, but are still generally low.

Building costs in 1970 are estimated to be $3 to $5 per sq. ft. (gross floor area) for units in fair condition. In 1977-1978, average building costs have risen from $5 to $19 per sq. ft. This wide disparity can be accounted for because the costs of substandard or units needing major repairs have not increased proportionately with the market.

A building containing seven units and 4,600 square feet would cost typically $18,200 in 1970 and as much as $50,000 in 1978. This is an increase of 280%. Of critical importance, however, is the fact that substandard structures can still be purchased for $3 or $5 per sq. ft. These acquisition costs are similar to the 1970 costs. These units are important not only to upgrade the housing stock, but also can provide an important role in providing low and moderate income units in the North End.

In summary, although present change is slow, the potential for future change is quite evident. The major trends are indicating:

(a) an increase in the young, professional more affluent person who can afford and is willing to pay higher rents; and

(b) a decrease in the number of larger families because of the increased unit costs of the unsuitability of much of the housing stock.

Both these factors will create a market for higher rental units in the future.

Through our research and past studies, the potential for displacement is fairly evident. However, the extent of current displacement is more difficult to determine. A major reason for this difficulty is the problem of determining whether individuals and/or families are leaving their apartments and neighborhood by choice or whether they are being forced to move as a direct result of rental increases or the unavailability of suitable-sized units.

However, informal interviews with members of the North End Neighborhood Task Force, realtors, developers as well as community social service workers did identify a number of specific cases of persons who had been forced out of their apartments and, in some cases, out of the neighborhood due either to an increase in rent or the lack of suitable-sized units for families. Examples included were elderly residents confronted with evictions, difficulties in relocating fire victims in the

neighborhood and families displaced as a result of condominium conversions.

Once again, current displacement is hard to quantify, however, there is evidence of it happening in the community. In addition, concern on the part of specific individuals regarding the occurrence of displacement and its potential is what precipitated this study.

SECTION III: HOUSING PROGRAMS AND POLICIES:- OVERVIEW AND STRATEGY ANALYSIS

SECTION III. HOUSING PROGRAMS AND POLICIES: OVERVIEW AND STRATEGY ANALYSIS

A. INTRODUCTION

The purpose of this chapter will be to explore what housing policy and program tools can be utilized to reduce displacement. Towards this end, an overview will be presented of the relevant types of public funds, services and regulatory measures which can be employed in communities in order to stabilize housing. Some attention will also be given to the availability of private funds for the same purpose. Conceivably, a housing stabilization plan could employ and/or combine the following strategies: housing stock improvement; rent stabilization; promotion of home ownership; the increasing of available units for different resident groups such as the elderly or families. The first section of this chapter will present a description of the major types of programs available, including both "housing assistance" type programs like grants, loans, counseling; and market regulation type programs, such as speculation taxes or rent control. Specific examples of current and available programs will be given within each type of tool. The second half of this chapter will explore how the private, public and non-profit development sectors can utilize and combine these tools to achieve community housing goals. The attempt here will be to develop a framework for showing who can do what and how.

B. DESCRIPTION OF PROGRAM TOOLS

Housing policy and program tools which can be used to address the issue of displacement fall into the broad categories of assistance programs and regulatory measures. Under assistance programs are programs which involve the transfer of either direct cash benefits or non-direct in-kind benefits to individuals or organizations (private, non-profit or public). Direct cash transfers can take the form of grants, loans, or rent subsidies. In-kind benefits can include programs such as mortgage insurance tax benefits, housing counseling and low cost public housing. In addition, various programs exist in order to target and integrate these different types of direct and in-kind benefits. While most of the housing assistance programs to be discussed are publicly funded, some attention will be given to the possibility of mobilizing private funds to address the issue of displacement. In addition to housing assistance programs, it is also possible to address the issue of displacement through regulatory programs. Such programs attempt to impose certain controls on market forces through the regulation of rent increases, condominium conversion and sale of realty.

1. Housing Assistance Programs[1]

Housing assistance programs include both cash and in-kind programs:

[1] For more detailed descriptions of current programs and their requirements, the reader is referred to Appendix ____.

(a) Direct Cash Transfer Programs

(i) Loans

One type of cash transfer is a loan. What is involved is the lending of money by the public sector to private individuals, nonprofit or profit-making organizations at some rate of interest. The public sector can affect market conditions by making loans available in neighborhoods where they previously were unavailable, or by providing below market interest rates. At present, there are only three public loan programs relevant to the North End.

312 Loans: Through this program the federal government provides low interest rehabilitation loans to property owners or business tenants who reside in federally aided CDBG, Urban Homesteading, Urban Renewal or Code Enforcement areas.

Section 202: This federal program provides long-term direct loans for the construction and permanent financing of rental or cooperative housing facilities for elderly or handicapped persons. Loans are only made to private, non-profit corporations.

Massachusetts Housing Finance Agency: Through MHFA, the Commonwealth provides low interest loans to nonprofit or limited dividend organizations for the construction of mixed income multi-dwelling housing.

Other Sources: Low interest loans can also be provided by the establishment of a revolving loan fund in the community through the NHS program. More information on this is contained in the next section under grants.

(ii) Grants

Cash transfer programs may also take the form of direct grants. The term "grant" is used to describe the giving of money without an expectation of repayment. Grants can either be categorical, in that they specify how money should be spent, or non-categorical, i.e., no strings attached. Grants can be awarded either to individuals or organizations, public, private or nonprofit. Grants are available from both public and private sources; the emphasis here is on public sources.

Community Development Block Grants: Through the CDBG program, the city government becomes the recipient and distributor of uncategorical block funds made available by the federal government for the general purpose of community development. The city has the most direct authority over the allocation of funds; however, it must utilize citizen participation in the designing of its budget plan. The city can award CDBG funds to existing community organizations or programs and it can set up new projects or programs. Theoretically CDBG funds could be used for almost any kind of housing assistance program.

Urban Development Action Grants: This is a smaller scale non-categorical federal grant program. Grants are made to cities in order to finance projects which assist in the revitalization of severely distressed economies and deteriorated neighborhoods in the city.

Neighborhood Housing Services: This program is part of the Urban Reinvestment Task Force. Through it, the federal government provides seed money for the setting up of revolving loan funds, to be run by a coalition of citizens, lending institutions and local government. The loan funds thus established have generally been used to provide low-interest rehabilitation loans to homeowners. A home-ownership component is also being initiated.

HUD Innovative Grants: Grants are made by the federal government to organizations, primarily non-profit, for the exploration of innovative approaches to the problem of displacement in urban communities.

Foundation Grants and Other Special Funds: Grants can also be made by private foundations to nonprofit organizations for the financing of housing assistance programs. Private grants can be used as seed money or to support ongoing operational costs of programs.

Housing Improvement Program: Whereas the grant programs already mentioned involve the transfer of funds to organizations, the HIP programs involve the transfer of funds to individual owner-occupants of buildings containing no more than six units. Assistance is in the form of a cash rebate for home improvements undertaken. The HIP program operates under the city's CDBG funds.

(iii) Rent Subsidies

Direct cash transfers can also take the form of rent subsidies. Through a rent subsidy the public sector pays a portion of the rent charged to a low-income tenant. Generally, rent subsidy programs require that the tenant contribute a sum equal to 25% of his/her income while the government pays an established market rent to the building owner. There are two major rent subsidy programs:

Section 8: This is a federal program. There are two ways to apply for it. Individual tenants may apply to have their rent subsidized in their current place of domicile, or developers of housing, either nonprofit or profit, may apply to have subsidized units in the buildings they are constructing or rehabilitating.

Chapter 707: 707 is a State program which is used to supplement state-aided public housing by providing rent subsidies to individuals and families eligible for public housing who cannot be accommodated by existing units. Local housing authorities place individuals in privately-owned moderate cost rental housing and make up the difference in rental costs for the tenant.

(b) In-Kind Benefit Programs

(i) Mortgage Insurance

Mortgage insurance programs are designed to increase the ability of individuals and organizations

to obtain mortgage loans by having the federal government insure banks against losses caused by loan defaulting. Specific types of mortgage insurance programs have been set up to meet the needs of different groups. Mortgage insurance is available on loans taken out for construction, rehabilitation or acquisition of cooperative housing (Sections 213, 221(d)3 and 221(d)4); financing of condominium housing (Section 234); construction or rehabilitation of low and moderate income housing (Sections 221(d)2, 3 and 4); purchase or rehabilitation of housing in declining areas (Section 223(e)). Mortgage insurance is also available for individual homebuyers. For instance, Section 221(d)2 provides mortgage insurance for low and moderate income homebuyers.

(ii) Tax Benefits

In-kind housing assistance programs can also take the form of tax benefits. Benefits can go to individuals as well as to organizations. Examples are as follows:

Income Tax deductibility of mortgage interest payments for homeowners.

Property Tax abatements: These abatements effectively reduce the property tax rate for

certain property owners. Statutory abatements apply to categorically defined owners, such as the elderly or disabled. Discretionary abatements are granted on an ad hoc basis by the city government.

Property Tax exemptions: Nonprofit developers can set up limited dividend housing developments which are exempt from property taxes under Chapter 121-A of Massachusetts law.

Tax benefits from historical designation: The designation of a neighborhood as a historical district confers certain tax benefits on homeowners for the rehabilitation which they undertake on their buildings. Advantages include the ability to amortize their debt and take an accelerated depreciation.

(iii) Counselling Programs

In-kind benefits may also include housing counseling or advisory programs. Housing assistance thus takes the form of counseling offered to individual residents or technical assistance offered to organizations. Examples of these programs are:

Section 235: This provides additional counseling to homebuyers assisted under the 235 mortgage insurance program.

HIP: In addition to rebates, the HIP program offers technical assistance to owner-occupants making home improvements.

NHS: In addition to seed money, the NHS program provides technical assistance to public-private coalitions setting up revolving loan programs.

(iv) Public Housing

A final type of in-kind assistance is the actual provision of housing by the public sector. Through public housing, the government - either federal, state or municipal - builds and operates low-income housing projects. Individual residents may apply to live in them, based on their income. Housing projects have been built for both families and elderly people. Program examples include:

667: This is a State program which finances low-income housing projects for the elderly.

705: This state program sets publicly-owned low-income housing in rehabilitated buildings on scattered sites. It is used in combination with the 707 rent subsidy program.

Low-Income Public Housing: Federal aid is available to local public housing agencies (such as the Boston Housing Authority) to develop, own and operate low-income housing projects. The Turnkey Program provides for the development of housing by private developers; upon completion, it is turned over to the housing authority for operation.

(c) Targeting Mechanisms

In addition to programs providing funds or in-kind benefits, there are also public programs whose sole purpose is to combine and target different housing assistance programs in specific neighborhoods. Examples of these are:

Neighborhood Strategy Areas: This federal program targets Section 8 substantial rehabilitation funds at specific neighborhoods. Although the only additional assistance provided by the NSA program is Section 8 money, participating communities are required to devote considerable CDBG and other local resources to their neighborhood's efforts at housing improvement.

Neighborhood Improvement Program: NIP is an experimental State program which focuses Chapter 705 assistance for new construction and substantial rehabilitation and Chapter 705 rent supplements in targeted neighborhoods.

2. Market Regulatory Measures

In addition to the use of housing assistance programs, it is also possible to stabilize the housing market through the use of regulatory measures.

(a) Speculation Taxes

A few cities have recently passed speculation taxes in order to discourage speculative activity in city neighborhoods and, therefore, to prevent the inflation of housing costs that often comes as a result of it. Speculation taxes force speculators to pay a high tax on profits from buying and selling housing within a short time, while profits from land or housing held over a long period of time are not taxed.

Section III. (continued)

(b) Rent Control

Strong rent control laws, by limiting the ability of a landlord to raise rents, also can help to keep housing costs within the reach of low and moderate income people. However, rent control is presently being phased out in Boston, and more and more exemptions are being attached to the regulations. Of particular concern to the North End is the fact that all apartments are exempt once the current tenant moves out. Also, all apartment units that have had at least $10,000 worth of renovation work done are exempt.

(c) Condominium Conversion Laws

Some cities have also passed regulations limiting the ability of developers and landlords to convert units into condominiums.

(d) Options and Covenants

Another regulatory measure which is not presently in operation in Boston is the systematic use of options and covenants in order to control property transactions in neighborhoods undergoing revitalization. Thus property owners agree to sell the right to someone else (either the city or a non-profit organization) to set the conditions of sale for their property (covenant) or to grant someone else the first right of purchase (options).

C. HOUSING STRATEGY ANALYSIS

1. Framework

In order to determine how these various housing programs and policy tools may be best used to address the problems of displacement in the North End, it is necessary to consider two factors. One issue is the strategy emphasis to be adopted in approaching the problem of displacement. A second and equally crucial issue is who is to undertake the strategy. The following table provides a framework for examination of these variables and their relation to the program and policy tools which were identified in the first section of this chapter.

On the vertical axis are listed the types of persons or organizations eligible to operate and/or benefit from these housing programs. In general, individuals and organizations are compared in terms of their ability to play the role of a development entity, i.e. to build or rehabilitate housing. Development entities also engage in the buying, selling and leasing of property in order to develop housing. (Brief consideration will also be given to other types of functions which organizations can perform such as the regulation of certain types of market activity.) The table breaks this category of

who is to do the developing into three sectors. Individuals/organizations may function in the private sector, as either absentee owners or owner-occupants, in the private nonprofit sector as nonprofit developers (such as Community Development Corporations) or in the public sector, as municipal, state or federal agencies.

Across the top of the table are listed the different types of housing strategies which can be emphasized in the formulation of a plan of action for the North End. Included are:

(a) The rehabilitation and expansion of housing stock combined with measures which provide for the stabilization of rents. (Such measures could be both <u>direct</u>, such as the combining of substantial rehabilitation or new construction or new construction with rent subsidies to set up mixed income housing or with regulatory measures, such as rent control; or <u>indirect</u>, such as reducing the costs which owners spend on rehabilitation or new construction.)

(b) The development of increased home ownership among North End residents, as a means of stabilizing the housing stock and increasing the North End's eligibility for different housing assistance programs.

(c) The provision of housing for those groups in the community who are most threatened by the potential for displacement, i.e. the elderly and families.

Within the body of the table are the housing programs and policies outlined in the first section of this chapter. The table shows how programs match up with who can undertake (or benefit from) them and what overall strategy they can be used to support. Since the strategies (listed horizontally) are not mutually exclusive, there is considerable overlap of programs within the sections of the chart. There is also a less direct type of overlap between vertical categories. For example, the undertaking of a program by an actor in the non-profit sector may increase the likelihood that other programs within the private or public sectors will also be enacted.

				FAMILIES
PRIVATE Absentee	Mort. insur.--221(d)4	Loan----------312 Rent sub.-----Section 8 Mort insur.---221(d)4	Loan---------- 312 Rent sub.----- Section 8	312 Section 8
Owner-Occupants	Grant---------HIP Loan----------312 NHS Tax benefits--Historical design. Tax abatements Income tax deduct.	Grant---------HIP Loan----------312 NHS Tax Benefits--Historical desig. Tax abatements Income tax deduct.	Grant--------- HIP(50%) Loan---------- 312 NHS Tax benefits-- Hist desig. Tax abatemnts Income tax deduct.	HIP 312 NHS Hist. desig Abatements Income tax [illegible]
NON-PROFIT/CDC	Grant---------CDBG UDAG Innovative grants Foundation grants NHS Loan----------MHFA (coops) Mort. insur.--213 221(d)3 221(d)4 Counseling Tax benefits--121A Innovative Strategies---- Cooperatives Low-cost condom. Selling at cost Conduit for 312	Grant---------CDBG UDAG Innovative grants Foundation grants NHS Loans---------MHFA 202 Rent sub.-----Section 8 Mort. insur.--221(d)3 & 4 Counseling Tax benefits--121A Innovative Strategies----Congregate hsng Managerial entity Selling bldng at cost Market regul.-Options & Covenants Land Trust	Grants-------- CDBG Innovat. grnts Foundation grt NHS UDAG Loans--------- 202 MHFA Rent sub.----- Sect. 8 Counseling Tax benefits-- 121A Innovative strategies---- Congregate hsng	CDBG Innovat. g[illegible] Foundation NHS UDAG MHFA Sect. 8 Counseling 121A Cooperative Low cost c[illegible]
PUBLIC	Homesteading NHS	Public hsng---Scatter. site Sect. 8 705 (707) Turnkey Market regul.-Rent control Anti-speculation tax Condominium laws [illegible]ants	Public hsng--667 705(707) Turnkey	705(707) Turnkey Scatter sit[illegible] Section 8

2. Strategy Analysis for Housing Development

(a) Private Sector

The role of the private owner in the North End in providing an ongoing supply of housing units accessible to low and moderate income residents will be critical to any housing program. The high percentage of buildings with owner-occupants (estimated at 45-50%) has provided the North End with a significant number of building owners who have a long-term commitment to the community. Because of the rapid impact of current market trends increasing rents and building costs in the North End, broad participation by residents will be necessary. However, the willingness or ability to participate in a housing program will depend on its general availability as well as its suitability to the needs of individual owners in the neighborhood.

Building Rehabilitation/Rent Stabilization

Current construction costs for buildings that have undergone major rehabilitation or capital improvements have made it very difficult for owners to maintain low or even moderate rents. Generally,

it has been necessary to increase rents far beyond that accessible to most North Enders for recently improved units. This has been particularly exacerbated by rent control procedures which currently decontrol any units which have undergone more than $10,000 of improvements.

Current programs that are available for private rehabilitation activity have focused on both making funds available to lower income or elderly owners as well as decreasing the costs of construction. Thus, subsidized loans or direct cash rebate programs are targeted to specific neighborhoods throughout Boston which have demonstrated significant need.

Owner-occupants are eligible to receive technical assistance and direct cash rebates through Boston's HIP program. This has been targeted for code-related building repairs. In addition, low interest rehabilitation loans, such as those provided by the 312 or NHS programs can potentially reduce mortgage costs as well as increase the availability of capital to improve the physical housing conditions. Other sources of rehabilitation funds have included state grants to residences within historic districts.

Fifty per cent matching grants can be made available for preservation or building stabilization purposes. However, these funds are typically limited to a few structures in any one district. In addition, favorable tax agreements can be made to selected buildings which rehabilitate or significantly upgrade the structure's condition.

The current availability of programs in the North End is, however, a critical issue for the community. The HIP rebate program has been limited to owner-occupied buildings with six units or less. This has severely limited its applicability to only 15% of North End units. Loan programs such as 312 and NHS have not as yet been targeted in the North End community. The individual owner has been forced to rely on private bank loans at standard high market interest rates. The unavailability of these loans to many moderate and lower-income persons and their impact on increasing construction costs have severely reduced their effectiveness in the community.

Reliance on the private rehabilitation sector to provide and maintain a stable mixed income housing stock has had inconsistent success in many communities.

Programs to date have stressed upgrading this existing housing stock. Few mechanisms to offset or control rent increases over a long period of time. This is particularly important in tenement neighborhoods such as the North End, with its large percentage of renters.

Subsidized interest mortgages have typically not reduced loan payments enough to insure lower rental units after construction. Also, long-term market pressures may allow rents to rise considerably.

Direct rental subsidy programs, such as Section 8, have not generally been available to private developers. The general shortage of these throughout the Boston region has greatly limited the potential for large scale neighborhood rent subsidy programs.

Generally, the increasing market trends towards higher and luxury rents have greatly reduced the incentive for private owners to develop mixed income housing units. However, some voluntary rent skewing has allowed lower-income or elderly to remain in upgraded units.

Home Ownership

Long-term market trends in the North End of increasing rental and building costs have made

ownership for low and moderate income persons particularly important. A broad program to increase resident ownership would be a critical factor in stabilizing the housing stock.

The large size of the existing tenant structures in the North End have made it extremely difficult for even moderate income persons to own buildings. Current trends have forced building costs to rise significantly, although many inexpensive structures still exist.

A few current programs exist to subsidize home ownership mortgage costs for low and moderate income families. Low interest mortgage programs (235) have been limited to single-family structures. However, the possibility exists for an innovative program applicable to the North End to be established through an NHS or CDBG-funded loan program. Mortgage insurance programs are available through the 221(d)2 and 213 programs for individual homeowners. These programs aid lower income families to qualify for private bank loans.

Conversion of buildings to condominiums has reduced the size of the saleable unit and has thus reduced the total unit costs. In theory, this has

great potential for enabling moderate income individuals to become homeowners. However, current costs of condominiums provided by the private market have made this prohibitive. Average costs of \$35-\$40 per square foot have raised costs to \$30-\$35 thousand for a single unit.

Specific Groups: Elderly and Families

Few current programs have been directed at either elderly residents or families through the private development sector. The high costs of larger, family space needs and the fixed income of elderly residents have made these particularly important target groups in the North End.

The HIP program presently gives bonuses to participating elderly building owners. As much as 50% of repair costs can be targeted to these persons. However, this has reached a very small number of households and buildings. The renter status of many elderly has restricted participation.

Elderly homeowners can also benefit from statutory property tax abatements. Abatements allow for a significant reduction of property tax costs (which presently comprise 30% of total housing costs in Boston).

The capacity of the private market to provide low cost housing for family residents is particularly limited. The special space needs of these groups have forced many families either to pay increased costs or accept lower quality housing. The potential to target specific groups of residents, however, is difficult without a more organized housing development entity.

SUMMARY

Both the limited availability of funds in the North End and the difficulty of regulating the impact of these funds have limited the potential of the private sector to provide significant low cost housing units. Although private rehabilitation can contribute significantly to upgrading the generally low quality of the housing stock, the long-term impact on rents will be difficult to regulate in the community.

(b) Non-Profit Sector

The term nonprofit is used to describe tax-exempt organizations which are established and incorporated for purposes other than profit-making. Among other possible functions, nonprofit organizations

can act as developers of housing. (A Community Development Corporation is one kind of nonprofit developer.) While nonprofit developers cannot command the scale of resources which profit-making developers can, they do have program options available to them which are not available in the private sector. Moreover, since the nonprofit developer is not constrained by the need to make a profit, it can be more flexible and innovative in the development of housing which is affordable by low and moderate income people.

Nonprofit housing developers (such as CDC's) can be the recipients of a variety of housing assistance grant allocations (such as CDBG money, HUD Innovative Grants, foundation grants) which are not available to developers in the private sector. The majority of these grants are uncategorical and can be employed by a nonprofit organization towards a variety of ends, depending on the housing strategy adopted. In addition, nonprofit developers are eligible for 100% financed, low-interest MHFA loans and low interest 202 loans, as well as for a number of mortgage insurance programs, such as 221(d)3 and 4.

The ability to receive these diverse loans and grants can reduce initial building acquisition costs, as well as subsequent rehabilitation costs for the nonprofit developer in the North End. Moreover, a number of buildings in the North End are still relatively inexpensive to buy and rehabilitate. Thus, it is possible for the nonprofit developer here to sell or rent rehabilitated buildings at reasonable, at-cost rates.

Rent Stabilization and Building Stock Improvement

There are a number of ways in which a nonprofit developer can attempt to improve the housing stock and stabilize rents in the North End. As a developer and subsequent lessor of housing, a nonprofit can afford to charge lower rents, both because initial acquisition and rehabilitation costs are lower and because it is not attempting to make a profit by acting as a landlord. Nonprofit developers can also hold down operating costs by setting up limited dividend housing developments which are exempt from property tax under Chapter 121A of Massachusetts law. In addition, both MHFA and 212 loans include the allocation of a specified percentage of Section 8

rent subsidized units within the building being financed. This provides a further way of holding down rents for low-income tenants. It should be mentioned, however, that even though nonprofit developers are eligible for 202 and MHFA loans (in contrast to the private sector), funds from either of these programs will still be hard to obtain.

Other innovative approaches to the provision of low or mixed rental housing are also possible. Nonprofits can develop *skewed rent housing* in which tenants pay differential rates according to income class. This is different from publicly subsidized housing (in which all tenants pay the same amount, but some are subsidized) and is thus appropriate in cases where public subsidies are not available. In a skewed rent development, the revenues collected from units rented at market rate can be used to subsidize other lower rent units for low or moderate income people. *Congregate housing*, in which tenants share certain facilities in common such as kitchens, can also provide a means of holding rents down. (This will be mentioned again in the section on programs targeted for the elderly.)

The Promotion of Home Ownership

Nonprofit development activities can also be used to increase home ownership in the North End. Lower acquisition and rehabilitation costs combined with the ability to sell at cost can result in lower market prices for buildings sold by nonprofit developers. Thus, a nonprofit developer could increase home ownership in the North End by simply rehabilitating and selling buildings to moderate income families. Financing for this activity could come from MHFA loans, conventional lending sources and from public grants. Nonprofit developers can also set up low-cost condominiums using conventional financing and mortgage insurance.

Another option is the development of cooperative housing as a means of increasing home ownership. Loans, subsidies and mortgage insurance are available for this type of development activity. Recently, MHFA loans combined with 707 subsidies have been utilized to set up mixed income housing cooperatives in Lexington and Beverly. Cooperative housing provides a particular advantage to low-income residents because only a small initial investment is required in order to become a homeowner. While the concept

of a housing cooperative has yet to gain full acceptance in Massachusetts (most especially among lending institutions), it is nevertheless an up and coming idea and one which nonprofit developers will probably use increasingly. Cooperative housing could also conceivably benefit from Chapter 121 tax-exempt status.

Housing for Elderly Residents or Families

A strategy targeted at high risk groups for displacement, like elderly residents or families, will necessarily utilize the program tools already discussed, although in a more focused way. In addition, specific public funds are available to nonprofits for the development of rental housing for the elderly under Section 202. In fact, 202 loans have already been utilized in the North End to develop elderly housing. It is unclear how this will affect future applications for elderly housing loans in this area.

Innovative strategies, such as the development of congregate housing can also be financed through 202 loans. Congregate projects can house anywhere from three to 40 elderly people. While residents

share some living space, they also have private space. In addition a minimum of support services is provided. This kind of housing is intended to serve as a possible option for elderly people who are no longer able to live completely independently but who nevertheless do not require the constant care provided by a nursing home.

Non-Development Activities by Non-Profit Organizations

This section has concentrated on the kinds of activities which nonprofit organizations acting as developers can undertake to stabilize housing in the North End. Nonprofits can also implement other types of programs in order to meet community housing needs. These can vary from the provision of technical assistance to homeowners or home buyers to dispensing mortgage or rehabilitation loans through the operation of a revolving loan fund. More information on these options is presented both in the final chapter and in the appendix under Neighborhood Housing Services Program.

(c) Public Sector

In contrast to the private and nonprofit sectors, it is also possible for organizations in the public

sector to implement housing stabilization strategies in the North End. Within the public sector are included agencies in the municipal, state or federal government. Although the primary concern here will be with the role that the public sector can play as a particular type of housing developer, it is also important to remember that almost all of the housing assistance and market regulatory programs mentioned in this chapter are in the final sense public sector programs. Although individuals/organizations in the private or non-profit sectors may be the actual implementers of these programs, it is nevertheless the public sector which has the final word. In Boston, the city government plays a particularly crucial role in determining the availability of public funds (both municipal and federal) in particular areas of the city. Thus, the city can wield a considerable amount of discretionary power over funding allocation through its ability to draft and subsequently interpret the Housing Assistance Plan (a companion document to the city's CDBG proposal which describes housing needs throughout the city and thus lays a basis for the targeting of federal housing programs).

In certain instances, the public sector retains the ability to implement and administer programs. The most notable example of this is public housing through which the public sector acts as a developer and landlord for low-cost housing projects. In addition, the public sector is also uniquely capable of implementing specific types of market regulatory measures such as rent control or anti-speculation taxes. The public sector would also play a role in the development of an entity such as an NHS, which is based on the principle of a private-public coalition.

Thus, in support of an anti-displacement strategy aimed at rent stabilization and housing stock improvement, the public sector could conceivably develop and operate low-cost housing projects through a variety of vehicles, including federal programs like Turnkey, Public Housing, Scattered-site Section 8 and State programs like 705(707) and Chapter 667. While the use of the public sector to develop and lease housing puts the government in the position of absentee landlord, it is nevertheless a viable way of providing low-cost housing for low and moderate income residents and thus of preventing displacement.

Moreover, the development of public housing on scattered sites, such as through 705(707) or Scattered-site Section 8, greatly reduces the problem of stigma. However, there is a question of the actual availability of these programs in the coming years. Publicly-run housing has also been particularly successful in the provision of rental housing for the elderly through programs such as 667.

The public sector is less able to play a direct role in increasing home ownership by North Enders. The urban homesteading program, through which HUD sells federally-owned properties at low cost to prospective home buyers, has little applicability in the North End because of the lack of HUD-owned properties here. The only mechanism through which the public sector might become involved in increasing home ownership would be through participation in the setting up of an NHS.

The public sector is also uniquely capable of implementing market regulatory measures, such as rent control, anti-speculation taxes, options and covenants and condominium conversion laws. Such measures would be part of a city-wide housing

stabilization policy and could operate in coordination with other housing assistance type programs. Obviously, what is involved is a commitment by the city to intervene in and guide the process of revitalization as it is occurring in the city's neighborhoods. Such a policy presupposes a thorough investigation of the limitations and advantages of these measures and how they may be adapted to the specific housing needs of Boston. While it is not the intention of this report to focus on these broader city-wide measures, it is felt that such measures are crucial to controlling the process of gentrification throughout Boston.

3. Housing Strategies: Summary and Conclusions

The complexity of development forces and the range of housing issues in the North End indicates that no single program or housing policy will resolve the problems of neighborhood change. Major issues that have been identified are:

(a) The improvement of the lower quality housing stock as a serious and ongoing need within the community. These unmet housing needs have resulted from poor unit physical conditions (30%

units substandard estimated), as well as the unsuitability of many units for elderly or family residents.

(b) The maintenance of existing low rents in the North End as a major target of any housing policy. The future of the neighborhood as a blue-collar and elderly community has been seriously jeopardized by the failure of current programs to significantly hold down rents.

(c) The need for increased home ownerships. Although an estimated 45-50% of the buildings are owner-occupied, the larger building size and number of units per building has kept the total number of homeowners in the neighborhood low. The impact of increasing market pressures will be critical on rents over a period of time. This has made the development of low cost condominiums or housing cooperatives an important factor in the long-range stability of the housing stock.

Private Sector

The ongoing maintenance or upgrading of the North End housing stock by the private rehabilitation sector has left a wide discrepancy of housing conditions and

rental levels. The general unavailability of extensive interest or rehabilitation subsidy programs in the North End and the reliance of private rehabilitation on bank loans has raised construction costs very high. The incentive for major rehabilitation in the private sector must be matched by the new market potential and increased rents of these units.

The relatively large percentage of owner-occupied buildings in the neighborhood, however, will continue to make the private sector an important area of community building activity. Low interest loans like 312 should be made widely available to upgrade the housing stock at lower costs. The inability of these programs to change these costs significantly, however, should be a critical consideration to the community. No long-term rent stability is insured by these programs. The introduction of Section 8 rent subsidies or acceptable rent skew structures for these units should be considered as ancillary regulating mechanisms.

The increasing importance of broad ownership programs for existing lower income residents will also provide an important long-term stabilizing force. The introduction of low-cost condominium or cooperative housing as a way of increasing ownership potential should

be encouraged; however, the high costs of units provided by the market have seriously deterred this.

The private sector has an essential long-range potential to upgrade and maintain the housing stock to acceptable community and city standards. However, increasing and ongoing levels of subsidy will be required to ensure that displacement is not the ultimate effect.

Non-Profit Community Development Corporation

The role of a community sponsored or nonprofit housing developer in the North End should increasingly become important as an ongoing generator of low and moderate-income housing. The ability to qualify for a wider range of subsidy sources as well as the capacity for more flexible or innovative housing programs have made the Community Development Corporation a critical development entity in neighborhoods like the North End. The potential for a community developer to better assess community housing needs and target specific groups is an important development component.

The utilization of financing sources like CDBG and MHFA has provided initial capital and seed money for housing development. The provision of rental units

through a CDC can potentially benefit from city real estate tax agreements (121A), as well as an increased probability of utilizing Section 8 rental subsidies to ensure the ongoing accessibility of the units.

Programs supporting broader ownership within the community can benefit from the development experience and ability to sell units at cost or with subsidy to individuals or groups. A CDC is also particularly appropriate as a developer of low-cost condominiums or housing cooperatives. The current availability of inexpensive structures makes this a highly potential strategy.

The nonprofit developer will be critical in reaching those resident groups which the private market has been unable to serve. This is particularly true for lower and fixed-income groups, such as elderly and single-parent families currently in the neighborhood.

Public Sector

The public sector will continue to play a crucial role in determining the availability of housing assistance funds and programs in the North End. Recommended public sector interventions include the targeting of

loans, grants, and rent subsidies in order to provide for simultaneous improvement of housing stock and stabilization of rents in the neighborhood. The development of publicly-owned scattered-site housing projects or elderly housing projects could also contribute to the stabilization of the North End housing market.

The public sector can also play an important role in housing stabilization throughout the city through the strengthening or implementation of market regulatory measures, such as rent control or speculation taxes.

SECTION IV: RECOMMENDATIONS

SECTION IV: RECOMMENDATIONS

A. SUMMARY

At present, although it is occurring, displacement is apparently not a widespread phenomenon in the North End. The conversion of buildings into luxury apartments and condominiums has been a slow, but very steady process. However, it seems inevitable that this process not only will continue but is likely to do so at an increasingly fast pace. The displacement of low and moderate income residents will no longer be limited to certain, seemingly, exceptional situations, but will become a commonplace occurrence. Consequently, it is recommended that efforts should begin as soon as possible to: (1) enable the low-cost rehabilitation of the North End's housing stock by area residents; (2) increase the level of home ownership by residents; and (3) enable rents to be maintained at a level accessible to current residents.

Essentially, it is recommended, as well, that in accomplishing these goals, every option currently or potentially available to North End residents should be utilized. No option, in this sense, should be eliminated. However, in attempting to make use of these options most effectively, a coordinated, community effort is necessary, from the beginning, in order to identify gaps and overlaps and to insure that information is uniformly transmitted.

For instance, the North End Neighborhood Task Force (N.E.N.T.F.) could work with other interested community organizations, agencies, and/or individuals to determine what funding sources appear most applicable and available to the North End, for what purposes they should be used, and what would be the most effective channels for getting them. If, for example, a Housing Counseling Service is felt to be needed here, should attempts be made to bring in the HUD counseling program, or does it appear more feasible that CDBG funds could be used to set up such a project? And who should apply for such a program? An agency, an individual community group or a neighborhood coalition?

In addition, the whole North End community should be made aware of housing programs potentially available to the private sector now. How much Home Improvement Program (HIP) money is available, for instance, and who is eligible to use it? How can it be used and how does one apply for it? Also, how does one apply for existing Section 8 rental assistance, and who is eligible for that? A booklet published and distributed by the Task Force or, alternatively, by an agency in the neighborhood could disperse such information as could, again, a Housing Counseling Service.

By working in this way -- developing a coordinated approach both to bringing new housing programs into the community and to implementing existing programs, a community plan can begin to be developed around ways to address housing problems in the North End. Thus, the groundwork can be laid for what should be the community's top priority -- the formation of a Community Development Corporation (CDC).

A CDC, both in the short and long run, would make it more feasible to bring into the community existing funds and programs aimed at countering displacement, and would also provide the opportunity for the development of innovative housing strategies which are currently unavailable to the North End. Because of the community input and representation needed to form a CDC, the very existence of a CDC in a neighborhood implies that that neighborhood has united and is organizing around common goals. Thus, when a CDC submits requests for funding or for the implementation of specific programs in its area, it is recognized as legitimately representing the needs of the community -- and, in a practical and political sense, is therefore able to exert far more pressure on funding sources for acceptance of its proposals than individual community groups or agencies.

In addition, however, through a CDC, the North End would be able to develop a full housing strategy controlled by the community with goals and priorities established by the community. It would be able to develop creative and innovative means to accomplish these goals because of the new options made available by the existence of a community-controlled, nonprofit corporation. Therefore, it would no longer be forced to rely primarily on the availability of the limited number of existing federal, state and city housing programs, but could begin to develop new and potentially more effective ways to counter some of the disturbing effects of the workings of the private market in the North End.

Consequently, this section of the report will deal at length with the idea of organizing a CDC in the North End. It will discuss what they are and what they are meant to do, but, more importantly, it will also discuss what they specifically could do in the North End, how they would be able to address the present and potential threat of displacement here.

However, it is also felt that efforts aimed at stopping displacement cannot, if they are to be fully successful, be confined solely to activities within the North End neighborhood

Although the formation of a Community Development Corporation should be the central concern right now for the North End, support should also be given at the same time to city-wide efforts to enact such measures as strong rent control laws or speculation taxes. These efforts, concerned ultimately with ways to regulate the functioning of the housing market, would, if successful, increase the ability of a CDC in the North End to develop relevant and effective housing programs. However, they would also serve to eliminate some of the root causes of displacement itself.

B. WHAT IS A CDC?

A Community Development Corporation is a neighborhood-based institution that is controlled by area residents. It is created to initiate and direct the economic development and revitalization of communities. In principle, such institutions favor total community upgrading rather than individual financial gain. The target area that is selected for economic development may or may not coincide precisely with the exact boundaries of a community but may, in fact, be smaller or larger than the community in question. CDC's are designed to "attract outside capital into the area on terms that the community approves; improve the physical

environment...; increase the job and entrepreneurial opportunities for area residents ... by providing training or ... by the creation of businesses open to and controlled by the residents; provide or encourage others to provide services and goods ... for area residents; and generally create the conditions under which the community can participate in the economic advantages and growth of the society." (Center for Community Economic Development, Community Development Corporations, 1975, p.3)

A CDC, therefore, can do a number of things. With the help of private capital and business interests, some have set up their own profit-making enterprises in the community, thus providing needed jobs for area residents. Others have directed their efforts at creating specific services for the community by organizing food cooperatives or day-care centers. However, this discussion will be particularly concerned with the feasibility of and opportunities created by CDC-initiated housing programs. This is the area in which a CDC in the North End can be most effective in speaking to the needs of the community. It is also, in fact, an area that has been chosen as a priority for economic development activity by several other CDC's in Boston -- and with positive results. (See Appendix)

1. Structure

Nonprofit corporations, for-profit corporations, and cooperatives are the three basic legal structures of organizations and businesses. The choice of a CDC's corporate structure must be determined by considerations like the requirements of possible funding sources (federal agencies, banks, private foundations) and the type of funding involved (grant or loan), as well as state laws, organizational goals, tax considerations, and control. Decisions must also be made concerning the possible establishment of affiliated, though separate, corporate entities. The corporate structure selected for the CDC, as well as the bylaws, and sometimes the major funding sources (for example, the Small Business Administration, the Community Services Administration and other federal agencies have certain board membership requirements applicable to recipients of some types of project or program funds) determine membership eligibility and the size, structure and means of selection of the governing board.

In Massachusetts, many CDC's are selecting a corporate structure that complies with requirements set down by the newly-organized Massachusetts Community

Development Finance Corporation (CDFC), in order to insure their eligibility for funding by this agency. The CDFC funds only funds projects sponsored by a CDC that is nonprofit and whose membership is open to all residents of the community over 18 years of age. In addition, a majority of its board of directors must be elected by the full membership, with the remaining directors appointed by local or state government officials or other nonprofit organizations.

Another important consideration in determining the structure of a CDC in the North End is that most CDC's today dealing specifically with housing programs are formed as limited-dividend CDC's. Originally, when community groups began attempting housing development, they almost always did it as nonprofit sponsors, but, under nonprofit ownership, they often found the cost squeeze too great, making them unable to develop the kind of quality housing they wanted. However, as a limited-dividend company, a CDC is allowed to make a limited amount of profit from rents, and is also able to make more money through "tax shelters." Tax shelters are a way of encouraging people to invest in housing by giving them a break on their income tax. Owners of

rental housing are permitted to claim on their tax returns that their property is depreciating in value. This depreciation can be counted as a business expense each year and used to reduce the income tax of the owner.

Therefore, a developer can make money by selling tax shelters. He can sell shares for as much as 15% of the total cost of newly-built subsidized housing, and as much as 25% of the cost of rehabilitated subsidized housing. Since the developer of subsidized housing never actually has to put up more than a few percent of the total project cost himself, by selling shares he is able to recover his own investment many times over.

When a private developer sets up a limited-dividend company and sells shares (a process called "syndication"), the syndication proceeds go as profits to himself. However, a CDC that sets up a limited-dividend company to develop housing can use money from selling the tax shelters to pay for extra amenities, offset rent increases, or use it as seed money for new ventures. In addition, a nonprofit CDC can form a limited-dividend corporation as a subsidiary, thus maintaining its

eligibility for funding aimed at only nonprofit organizations.

2. Initial Funding

Either before or after incorporation, CDC organizers often solicit dues from members or donations from foundations and other sources, in order to finance the initial planning phase. Also, new Community Development Block Grant regulations not only allow for the funding of ongoing CDC programs, but also for funding during this early start-up period.

There are also numerous sources of venture funding for a CDC. Viewed as a venture mechanism, the CDC may invest a portion of its own funds earmarked for such a purpose in a business. A CDC may also arrange for a conventional loan from a bank. Federal agencies like the Small Business Administration (SBA) and the Economic Development Administration (EDA) sponsor programs that provide funds for business and large-scale commercial development projects. State and municipal governments sometimes award grants to community-based groups that have ventures in the start-up, operational, or expansion phases.

Often a funding source is unwilling to bear the full risk involved in a venture but will share the risk with other investors. Therefore, it is important for CDC's to investigate leveraging techniques -- that is, activities that enable the CDC to use funds from one source to obtain funds from another source.

Massachusetts has been in the forefront nationally in encouraging the formation and growth of CDC's. The Community Development Finance Corporation began in April 1978 as an independent state agency created by the Massachusetts Legislature two years ago to provide investment capital in the form of low interest loans to business ventures undertaken in partnerships with CDC's. It currently has $10 million at its disposal to be used in funding ventures throughout the state. However, to be eligible for funding by CDFC, an activity must contribute to "primary employment" in an area, meaning that wages must be at least one and one-half times the minimum wage and the job cannot be seasonal or part-time. Consequently, it is unclear whether a CDC involved in housing development -- with its primary goal being the provision of quality, low-cost housing for long-term residents -- would be eligible for the program.

In addition, Massachusetts has also recently set up the Community Economic Development Assistance Corporation (CEDAC). This agency, operating on a budget of about $340,000, is not intended to give financial assistance to CDC's, but, instead, to give needed technical assistance to community-based groups undertaking community economic development and job creation projects.

Finally, the State's Division of Social and Economic Opportunity, part of the Department of Community Affairs, publishes a free directory called, Funding and Assistance Sources for Massachusetts Community Economic Development Organizations. In it are listed programs and organizations (both in Massachusetts and nationwide) that provide capital and/or general and technical assistance to CDC's. The directory contains also a listing of Massachusetts corporate funding sources and a table of the 25 largest United States company-sponsored foundations; comprehensive program outlines of state and federal funding sources; and descriptions of low or no-cost general and technical assistance organizations.

C. WHAT COULD A CDC DO IN THE NORTH END?

A CDC is able to pursue any of the housing strategies, discussed in the preceding section, that are available to a nonprofit developer. However, in addition to its role as a developer there are many other possible kinds of activities for a CDC dealing with housing problems in the North End. This section will focus on some of them. The few ideas included here are meant only to be suggestions as to what a CDC might conceivably do. Ultimately, if a CDC is organized, its specific direction will have to be determined by the North End community.

In addition, in discussing possible programs for a North End CDC, it must be stressed that North End residents alone are not responsible for the actual implementation of programs. They determine the goals and priorities of a CDC's program, but its technical aspects, its actual functioning is carried on by architects, lawyers, planners, administrators, etc., who either are hired by the community or, as is sometimes the case, volunteer their time. It is their presence that makes feasible many of the highly complex programs available to a CDC working in the housing area.

1. As a Magnet For Existing Funds and Programs

As mentioned earlier, the presence of a CDC in a neighborhood reflects the fact that residents of that community have joined together to try and meet the needs of the area in a unified and coordinated way. This has important implications for efforts aimed at bringing into a neighborhood existing funds and programs.

First, the government today would like to see that most money it spends in neighborhoods is only one part of a larger comprehensive neighborhood development strategy. A major component of that strategy, if it is to be successful, must be investment in the area by the private sector. The economic development of a neighborhood will not become a continuing, self-sustaining phenomenon, it is felt, if it is supported only by limited and temporary public funds. Consequently, most government programs today, on both the national and local level, that are aimed specifically at neighborhood development and revitalization (such as, the Neighborhood Strategy Area Program (NSA), the Urban Development Action Grants (UDAG), or the Neighborhood Improvement Program (NIP)) have been implemented primarily in areas where such a strategy has been or is in the process of being developed.

The State's Neighborhood Improvement Program, for instance, allocated over $1 million to a neighborhood in Dorchester for rehabilitation of its housing stock -- but only after residents there organized a CDC not only to manage the program, but to develop a continuing plan, able to bring in other funds, both public and private, aimed at the full economic development of the neighborhood. The Urban Development Action Grant program is, in fact, designed specifically to provide federal funds to leverage at alleviating physical and economic deterioration. In order to receive UDAG funds, an area must guarantee up-front private sector commitment.

In addition, HUD requires that for a neighborhood to be designated a Neighborhood Strategy Area, it must also be given priority by the city in the allocation of CDBG funds -- and the city must also insure that other funds and programs, from both the public and private sectors are made available to the area. In fact, the CDBG program, itself, is organized in a way that enables federal programs available to the city, like 312 low-interest rehabilitation loans and Section 8 rental assistance, to be channeled into specific target areas. In preparing its CDBG application, HUD requires

a city to also submit a Housing Assistance Plan, which shows which neighborhoods are in greatest need of housing assistance, and how the city hopes to meet those needs. This is intended to encourage cities to develop a comprehensive housing strategy that not only uses programs selectively, according to certain criteria, but also assesses them in ways that will serve to leverage private funding in the area as well.

Thus, a neighborhood with a CDC is at a definite advantage when applying for federal, state,or local programs and funds. A Community Development Corporation is set up specifically to bring private investment into a community in a way that will best serve the needs of the residents of that community. Consequently, public funds are used almost always by a CDC as part of a total program aimed at leveraging these private funds. Governments are more willing, therefore, to allocate funds and programs to CDC's because they realize they will be used in the way judged by them to be most efficient and productive -- as a means to bring further funding into the neighborhood, not as an end in itself.

However, the existence of a CDC in a neighborhood works in other ways, as well, to help bring government

programs and funds into an area. Today, most housing programs and funds do not go directly to neighborhoods but are given first to the city which then distribute them to local areas within its jurisdiction. Although, in general, this allocation of funds within the city is done according to guidelines set down in the city's Housing Assistance Plan, in practice, it can be a very flexible process. Thus, the ability of a neighborhood to convince the city of its need for housing programs can be an important factor in determining whether it actually gets them. And a CDC in a neighborhood significantly increases this ability.

It is able to demonstrate, for instance, that its application has the support of the community and, therefore, the program if implemented, would have a greater chance of success in the neighborhood. Also, a CDC with a comprehensive, long-range strategy around housing and economic development is able to illustrate how one specific program fits into its projected goals, and why that particular program is a priority at the moment. It consequently is able to present a much stronger argument for funds.

Finally, CDC's are particularly attractive to local governments -- specifically because they do serve

as an effective way to channel funds from a variety of sources into a neighborhood. In doing so, a CDC, in a sense, can potentially be a source of revenue for the city as a whole. Also, because CDC's have in many instances done a great deal of economic planning, they have often been able to develop special knowledge about the city's needs. Therefore, it is usually in a city's interest to encourage the formation of CDC's -- and to help them financially, if possible.

2. As an Administrator, Planner and Service-Provider

As illustrated, a CDC in the North End would serve as a central vehicle for bringing funds into the neighborhood. But in order to play this role effectively, it must at the same time be developing its own programs in which to use these funds. The most ambitious of these programs could, as mentioned previously, be centered on the actual development of housing in the North End. However, there are numerous other activities a CDC can initiate and, consequently, many other roles that a CDC can play, both within the actual process of program development and within more short-range program alternatives. Some of these include the following:

(a) A CDC would be able to keep abreast of what funding sources, both old and new, are available to the community, to apply for those funds, and to administer them if they were won. It could, for instance, propose to the city that CDBG funds be allocated to the North End to support housing programs there -- and would be able to monitor the implementation of those funds once they arrived.

(b) In order to develop concrete proposals for programs, a CDC would have to assess fully the needs of the neighborhood. It would be able to hire staff or work with volunteers to conduct surveys and do research to determine, for instance, the extent of displacement, the availability of low-rent apartments and, if the community was interested, in the development of cooperative housing or congregate living arrangements in the North End. Based on its findings, a CDC would then be able to work with planners to develop programs geared to meet the specific conditions and requirements of North End residents.

(c) A CDC would also be able to devote time (and assign staff) to building and maintaining community participation in the CDC itself, thus insuring that its

programs and activities continued to reflect the needs of the community. Possibly a neighborhood newsletter could be printed and distributed to all North End residents. Door-to-door membership drives could be conducted that would serve to spread information about the CDC, as well as to recruit new members.

(d) A Community Development Corporation could offer technical assistance to North End residents in the form of, for instance, a Housing Counselling and Information Service. In so doing, it would also be able to monitor displacement within the community, helping tenants find new homes and, in some cases, demanding relocation assistance from landlords. In the Relocation Act of 1970, relocation payments are required in all cases where a developer or landlord uses federal funds to acquire a building.)

(e) A Community Development Corporation could set up to administer a revolving loan fund in the North End that would give low-interest loans to long-time residents, enabling them either to rehabilitate their buildings or, in the case of tenants, to buy

low-cost, possibly CDC-developed, homes in the North End. Such a fund could be established in several ways using a variety of funding sources, including CDBG funds and commitments from conventional lending institutions in the area.

It could initially be set up, for instance, not by the CDC itself, but instead by the Neighborhood Housing Service (NHS). The NHS is part of the Urban Reinvestment Task Force, a joint effort of both HUD and the Federal Home Loan Bank Board, which is attempting to develop programs for neighborhood revitalization that include as the key component a partnership of residents, financial institutions and local government. The NHS brings these three kinds of funding into a neighborhood specifically to establish a high-risk, low-interest revolving loan fund. This is primarily intended to be used by owner-occupants for rehabilitation purposes, but in some cases it has also been used to enable low and moderate income residents to purchase homes in the neighborhood. Although the NHS creates its own nonprofit corporation to oversee its revolving loan fund, it often works together with CDC's to implement it in the community.

(f) Conceivably, a CDC could act as a conduit for Section 8 rental subsidies used in owner-occupied buildings in the North End. In general, Section 8 money when used to subsidize a unit in a building has been utilized only in large, multi-unit buildings owned by absentee landlords. One reason for this is that the landlord must negotiate the 40-year contract for rental subsidies directly with HUD. It has been felt that the paperwork and red tape involved in dealing with such a huge bureaucracy would be too complicated and difficult for a single owner-occupant to handle. However, with a CDC serving as intermediary between HUD and the landlord such an arrangement may be possible. (An experimental program giving Section 8 funds to small owner-occupied buildings is now going on in Somerville and Framingham.) An innovative program such as this could potentially provide another avenue for bringing Section 8 money into the North End.

(g) An additional, but closely related possibility, is that a CDC could develop a strategy to counter displacement that would use the 312 loan program in conjunction with the Section 8 program in selected

buildings in the neighborhood. The 312 loans would enable low-cost renovation of buildings, thus working by itself towards keeping rents low. But by also tying Section 8 to some of the units in the buildings, there would be a guarantee that at least a portion of the rents would be kept low. Such a strategy could be developed, administered and monitored by a CDC.

An innovative program like this would serve as a possible way of bringing into the neighborhood not only Section 8 funds but 312 loans as well. At present, 312 loans are only available on a very limited basis, in neighborhoods designated by the city as Urban Renewal or Code Enforcement areas. However, on the national level, HUD has set aside a specified amount of 312 funds to be used in funding innovative proposals. Since displacement, as a disturbing side effect of current neighborhood revitalization efforts, is becoming an increasingly important national political issue, it is conceivable such a proposed strategy could win special attention -- and funding -- from HUD.

(h) Finally, it is possible that a CDC in the North End could develop a rehabilitation program similar to

one that has been developed by Jamaica Plain's CDC. Here, youth in the community are employed to rehabilitate owner-occupied buildings in the neighborhood. The goals of the program are two-fold: first, youth receive on-the-job training in construction skills and, second, homeowners are able to renovate their buildings at a very low cost, since they pay only for the cost of materials, not labor. It is also hoped to eventually integrate this program with the HIP and 312 programs -- allowing homeowners both to take out low-interest loans and also to receive a rebate once the work is completed. Thus, the cost of rehabilitation would be made even lower. The program, however, is in no way profit-making. Funds to support it come from such sources as CETA, LEAA, etc.

3. As a Housing Developer

If a North End CDC were to act as a housing developer here, it would from the outset have to develop a broad housing strategy based on certain goals and objectives. It would have to decide whether more emphasis should be placed on providing low-cost housing for elderly residents rather than for families, or on providing

opportunities for home ownership rather than on direct provision of low-cost rental units. It would also have to determine if it was feasible or preferable to try and develop a number of different housing options, or if perhaps it should only concentrate on developing one cooperatively-owned building or one building for congregate housing. In other words, it must determine at least tentatively, how extensive its housing development activities could realistically be.

Although some specific housing strategies aimed, for example, at increasing home ownership opportunities or keeping rents low have already been discussed, broader and more general housing development strategies have not. Therefore, presented here are two suggestions of this kind that could possibly be used if it was decided that a CDC should aim for extensive and long-range involvement in the housing market in the North End.

The first is a strategy involving the formation of a "Community Land Trust." A trust is a commonly used legal device which directs one set of people, the trustees, to manage the trust property for the benefit of the beneficiaries named in the trust instrument.

In a Community Land Trust the beneficiaries would be the residents of the surrounding community and the Trust, therefore, would hold property in trust for the benefit of the community.

If this idea were applied to the North End (and it is being used today in Jamaica Plain) it would mean, conceivably, that a CDC or a Trust set up by a CDC would purchase as many buildings as possible now, while prices are low -- thus serving to keep some of the land and buildings out of the speculation market in the North End. It could then decide either to rehabilitate them itself at some future date or to lease them out at relatively low cost to private developers who agree to comply to certain prerequisites (i.e., the buildings are only to be used for low and moderate income housing).

However, on a less grand scale, another possible approach to housing development in the North End by a CDC would be to divide efforts to rehabilitate housing stock between the private sector and a CDC. A CDC would target its activities on buildings needing substantial rehabilitation. Acquisition costs are low, the variety of loans available to a nonprofit corporation make the cost of rehabilitation reasonable,

and it is often able to get rent subsidies to insure rents also will be low. On the other hand, federal programs and funds available to the private sector, especially because of the presence of a CDC in the neighborhood, make it conceivably possible for that sector to do minimal and sometimes moderate rehabilitation work in a manner that also makes it possible for rents to be kept at a level affordable to low and moderate income residents.

D. HOW IS A CDC ORGANIZED?

There is no one "correct" way to organize a CDC and, consequently, it is not possible to tell the North End how it specifically should go about organizing one. Nevertheless, there are certain factors that would seem to be necessary to any organizing effort if it is to be successful.

First and foremost is community participation. Without the support and active participation of as many community residents as possible, a CDC cannot claim to represent the interests of the neighborhood and, as a result, it will not be possible to develop programs and goals according to the needs and priorities of the neighborhood. In fact, the actual decision to organize a CDC in the North End must come from the community, at large. Organized groups within

the North End, such as the N.E.N.T.F., can decide that the organization of a CDC here would potentially provide a way to address the needs of the community, but the next step must be reaching out to the rest of the community to see if they also feel that way.

Thus, the second, and related, factor essential in organizing a CDC is the development of ways to enable the community to understand what a CDC is, and how it could work to help solve some of the problems in the neighborhood. Initially, for instance, members of CDC's in other Boston communities with problems similar to those here could be invited to speak to the North End about why they organized a CDC and how it has helped their community. In addition, specific discussions could be organized around both the present and potential problem of displacement in the North End -- and how a CDC could address that problem. Eventually, then, a community-wide conference could perhaps be called to decide specifically whether the North End should organize a CDC. But, if the community endorses the idea, the process of education and sharing knowledge must not stop, for the particular program of the CDC must be developed according to guidelines established by the community. Without at least a general understanding of the advantages and disadvantages,

for instance, of the programmatic options available to a CDC, it will be impossible for the community to set such guidelines.

Finally, then, the third necessity in organizing a CDC is that once the community decides it wants one a structure must be developed that insures community input into decisions regarding its programmatic goals and priorities. Committees, for instance, could be set up to investigate the advantages and feasibility of certain possible areas of activity, the availability of various funding sources and the various organizational forms available to a CDC.

All of this obviously takes time and effort. However, it is a process that many communities in Boston have already gone through and one which in the long run has been judged by almost all to be well worth it. There also now exist several agencies in the area that are equipped to give technical assistance to neighborhoods wishing to form a CDC. One of these, which has already been mentioned, is the Community Economic Development Assistance Corporation (CEDAC). Another is the Cambridge Center for Economic Development which in addition to having staff available to answer questions and give suggestions, also has a well-equipped library containing, for instance, extensive information on specific CDC's not only in Boston but all over the country.

E. SOME DIFFICULTIES ENCOUNTERED BY CDC's

It must be mentioned that many CDC's aimed particularly at helping to provide quality housing for low and moderate income residents have, in the past, encountered some difficulty in fully accomplishing their objectives. A major reason for this is that a CDC dealing with housing problems in a community and particularly one that itself becomes a housing developer, must deal with all the problems implicit to the workings of the housing market in general. Although a community-controlled, nonprofit corporation enjoys certain advantages, market forces operate in ways that make it hard for anyone to create low and moderate income housing. In addition, although the existence of a CDC makes government funds and housing programs more available to a neighborhood, such funds and programs are still too limited to fully meet the needs of low and moderate income people.

As a result, for instance, housing once completed may turn out to be too expensive for low and moderate income tenants. Projected rent levels, which are set in advance of construction or rehabilitation, have a tendency to rise because of unforseen construction expenses. If actual rehabilitation costs exceed estimated costs, the mortgage will be larger and rents will have to go up to pay the higher

debt-service costs. Rents may also have to be increased after tenants have moved into a building in order to meet underestimated operating costs, a result often of increases in the costs of goods and services.

However, CDC's have learned from the experience of others and the success of several CDC's in the Boston area in creating quality, low-cost housing for low and moderate income residents proves that these problems are certainly not insurmountable. However, it is now recognized that a CDC must from the very beginning of a project acquire skilled technical assistance that makes possible accurate assessments of cost and feasibility and the careful monitoring of the rehabilitation process.

F. THE NEED FOR A CDC TO BECOME INVOLVED IN CITY-WIDE EFFORTS TO REGULATE THE MARKET

Nevertheless, no matter how many precautions are taken by a CDC, certain restrictions placed on it by the functioning of the market remain unavoidable. In the North End, for instance, it seems inevitable that the cost of property will rise in the future. As the demand by outsiders for apartments and condominiums in the North End increases, the profit potential for private developers and landlords will also increase -- serving, in the end, to inflate the cost of

buildings that can potentially be converted into luxury, high-rent apartments and high-priced condominiums. This means that it probably will be come harder and harder for a CDC to acquire buildings here at a reasonable rate and, as a result, it will also become more and more difficult to keep rents down without subsidies. And money for rental subsidies is in very short supply. In addition, landlords here, even if given the opportunity through various programs to rehabilitate their buildings at a low cost, will increasingly be tempted, once the renovation is done, to raise rents as high as the market here will accept -- thus,again, pricing out low and moderate income residents.

For all these reasons, it is felt that not only should the North End community direct its efforts at achieving some control over the cost and supply of housing here for low and moderate income residents, but that it must also participate in city-wide efforts aimed at trying to regulate, to some extent, the workings of the housing market itself -- by convincing the city to pass such measures as strong rent-control laws, anti-speculation taxes, regulations limiting condominium conversion and property tax abatements for long-time residents of areas undergoing gentrification. These kinds of strategies have not been discussed at length in this report, since they depend, for their success, on the organizatio

of a broad coalition involving many communities all over the city and thus are not strategies one community alone can consider. However, although it is felt that the central focus of the North End community in its efforts to stop the displacement of long-time residents here should be on the eventual formation of a CDC, support for these other strategies is also necessary. Such a coordinated approach potentially increases the ability of the North End to maintain quality, affordable housing for low and moderate income residents. Not only would it help to make it possible for a CDC to function more effectively in the North End, but it would also work towards actually eliminating some of the root causes of displacement.

A P P E N D I C E S

APPENDIX

Table of Contents

The following appendices include: a glossary of terms used; description of research design: bibliography; and description of public programs and funds available to address housing problems. Sections are also included about innovative housing strategies such as cooperatives or low cost condominiums; in-depth information about the experiences of C.[illegible].'s initiated in local area communities is also included. [illegible]gram sections are not arranged in a particular order but are separately lettered. In general, information contained in these appendices has been pulled together from public documents, current literature and extensive interviews with knowledgeable individuals in the public, non-profit and private sectors. Since the information contained in these appendices is publicly held information, specific footnotes are not provided in the text, although all sources are listed in the bibliography.

ABBREVIATIONS

ACO	All City Organization
BHA	Boston Housing Authority
BRA	Boston Redevelopment Authority
CCED	Center for Community and Economic Development
CDBG	Community Development Block Grant
CDC	Community Development Corporation
CHAPA	Citizens Housing and Planning Association
IBA	Inquilinos Boriquas En Accion (Hispanic Tenants In Action)
FHA	Federal Housing Administration
HAP	Housing Assistance Plan
HIP	Home Improvement Program
HUD	Department of Housing and Urban Development
MHFA	Massachusetts Housing Finance Agency
NEA	National Endowment for the Arts
NHS	Neighborhood Housing Services
NIP	Neighborhood Improvement Plan
NSA	Neighborhood Strategy Area
UDAG	Urban Development Action Grant
URTF	Urban Reinvestment Task Force
TDC	Tenants Development Corporation

GLOSSARY

Abatement - a reduction in a property owner's tax, granted by law to certain classes of owners (e.g., elderly) and by discretion to other owners who can prove that their property has an assessed valuation higher than similar properties in the community.

Accelerated Depreciation - A method of depreciation in which the value of a piece of property is assumed to decrease faster than it would with straight-line depreciation.

Amortization - the process of repaying the loan principal in instalments over the term of the loan.

Assessed Valuation - the value attached to each piece of property for purposes of calculating the property tax that is owned.

Categorical Funding - funding targeted groups for specific purposes.

Conversion - the number of units in a residential building are either made larger or smaller when the building is rehabilitated.

Corporation - a form of business, chartered by the government, in which control rests with a board of directors, the economic benefits are distributed to any number of shareholders or stockholders and everyone's extent of liability is limited to the amount of money actually invested; the directors may also be shareholders, but they are not required to be; the shareholders cannot use the depreciation of the corporation's property as a tax shelter for personal income.

Displacement - as a result of not being able to pay an increase in rent, lower income people are forced to move out.

Equity - the value of an owner's investment in a piece of property; it is equal to the value of the property minus the balance of any mortgage loans on it.

Escrow - a written agreement as a bond or deed put in the care of a third party and not in effect until certain conditions are fulfilled. Refers to cooperatives.

Extent of Liability - the degree to which a person's other wealth or income can be taken to pay off debts associated with his or her business; if liability is limited, other wealth or income cannot be taken; if liability is unlimited, other wealth or income can be taken.

Financing 100% - one does not have to put down a deposit before getting a mortgage.

Interest - money paid by a borrower to a lender for the right to use the lender's money, usually expressed as a percentage rate per year.

Lien - the use of a piece of property as security or collateral for a debt, giving the person owed the money the right to take the property if the debt is not paid.

Limited Dividend Corporation - has potential to sell tax rates for additional revenue. Profits are limited to 6%.

Mortgage - a type of lien, which a property owner gives money lender, formally promising that if the loan is not repaid the lender can take the property and sell it to recover the money.

Mortgagee - the lender of money who receives a mortgage as security for repayment of the loan.

Mortgage Loan - a type of loan where the promise to repay is backed up by giving the lender a mortgage on some property owned by the borrower.

Mortgagor - the property owner who borrows money and gives a mortgage as security for the loan.

Non-profit Corporation - Non-taxable.

North End - includes Census Tracts 301, 302, 304, 305. Bordered by Washington Street North, Commercial and North Streets, and the Central Artery.

Owner Occupancy - where one or more persons hold the property in their own name(s).

Principal - the amount of money borrowed.

Rehabilitation - Minor: minor repairs, replacement of accessories, structural improvements, repairs that do not exceed $14,999.

Rehabilitation - Moderate: includes replacements of major subsystems, extensive carpentry, replacements of doors and roofs. $4,000 per dwelling or not to exceed $24,999.

Rehabilitation - Substantial: stripping down buildings, replacements of subsystems, rearrangement of apartment layouts. $10,000 per unit, exceeds $25,000 per structure.

Glossary (continued)

Rent Control - a market regulatory measure which places limits on amounts rents can be raised under specified guidelines.

Revitalization - combination of public and private capital invested in the physical structure of the community to upgrade the housing stock.

Speculation - buying of property at a low price and consequently selling the property at a profit.

Straight-line Depreciation - a method of depreciation in which the value of a piece of property is assumed to decrease by a constant amount each year, equal to the initial value of the basis for depreciation divided by the useful life.

Tax Shelter - an income tax deduction which does not correspond to any real cash expenditure made by the taxpayer and which, therefore, enables the taxpayer to avoid paying any taxes on the income corresponding to the deduction; examples include depreciation of real estate and the oil depletion allowance.

RESEARCH DESIGN

Methods: Formulation

The research was designed to answer the following questions:

1. How extensive has rehabilitation of the North End housing stock been since 1970 to the present?

   (a) Where has rehabilitation taken place in the North End?

   (b) When has major rehabilitation ($15,000 or more) taken place in the North End?

   (c) What type of rehabilitation has taken place? That is, was it minor, moderate or substantial?

2. How many buildings are owner-occupied?

3. Who is doing the rehabilitation? That is, is it owner-occupied or absentee landlords?

4. What have been the effects of rehabilitation - especially those representing $15,000 or more - had on the following:

   (a) Has rehabilitation resulted in reassessment of buildings or property values?

   (b) Has rehabilitation resulted in increased rents?

   (c) Has rehabilitation resulted in conversion of units?

5. How much does rehabilitation cost?

6. Is displacement currently taking place?

General Study Strategy:

The study was descriptive in design. The focus of the study was to examine the relationship between the rehabilitation of residential property and its effects on reassessment of property taxes and rents, and how this ultimately affects the ability of people in the North End on lower incomes to remain in the North End by choice.

The study consisted of:

1. Compiling a complete list of all residential addresses and names of owners of North End property, taken from the Boston Realty Corporation Directory, 1978 edition.

2. A recording of all building permits that had been issued from January 1, 1970 to August 30, 1978. This included all minor, moderate and substantial work that had been done to residential buildings.

3. A walking tour was then conducted to assess what had been officially recorded with what had in actual fact taken place.

An analysis was made of who was doing the rehabilitation and the impact on assessments and rents by cross checking current with past assessor records. Boston Rent Control Office records were examined to determine if rehabilitation had an effect on rent increases. The actual cost of rehabilitation was determined in a number of ways. Checking building permits, by a walking tour of specific buildings that had had work done, and by interviewing realty agents and developers in the area regarding expenditures. Finally, interviews with particular community members were conducted to get a subjective viewpoint of whether displacement was currently occurring.

Sampling:

All known residential addresses in the North End, totalling approximately 960 constituted the total population of this study. From this, two sample groups were drawn.

1. A sample of 29 residences which included all these buildings that had substantial rehabilitation done.

2. A systematic random sample of 21 buildings was selected from the residences that had not officially applied for building permits.

Data Collection:

First, a complete list of all streets and residential buildings was compiled on individual index cards. Information initially gathered on all residential buildings included the address, the owner's name, and the current assessed value of both the building and total parcel value. All building permits that had been issued

by the Boston Building Department for Ward 3 were then recorded on the cards. Only those permits pertaining to residential or residential/commercial buildings were recorded. Permits for repairs such as fire escapes were also included. And permits designated for commercial use only were not recorded. And although permits were recorded for census tract 303, which included Fulton and Commercial Streets, this area was not considered the North End in our operational definition of the study area. However, the development on these streets merely highlights the development beginning on the periphery of the North End itself. The information was then mapped out. First, to indicate where major rehabilitation had taken place and second, when it had taken place.

After a walking tour of the neighborhood, it became evident that far more rehabilitation had actually taken place than what had been recorded with the building department. This was especially so for minor and moderate rehabilitation. The assumption being made that those persons doing major rehabilitation were more likely to apply for building permits and, therefore, the number of recorded buildings having had substantial rehabilitation, being a more accurate representation of what had actually been done in that price range.

MORTGAGE INSURANCE

Mortgage insurance programs are designed to increase the ability of individuals and organizations to obtain loans by having the federal government insure lending institutions caused by loan defaulting. At present, HUD operates the following mortgage insurance programs:

SECTION 221(d)2: HOME OWNERSHIP FOR LOW AND MODERATE INCOME FAMILIES

Type of loans insured: Mortgage loans for the purchase, construction of, or rehabilitation of low-cost one to four family housing. Limits are set on the size of loans insured according to the size of family and number of units in the building.

Applicant eligibility: Anyone may apply; displaced households qualify for special terms.

Scope of program: Cumulative activity through September 1977: 837,092 units insured for a value of over $11 billion nationwide.

SECTION 221(d)3: MULTIFAMILY RENTAL HOUSING FOR LOW AND MODERATE INCOME

Types of loans insured: Loans made for the construction or substantial rehabilitation of cooperative or rental family housing of five units or more for low or moderate-income families.

Applicant Eligibility: May be obtained by public agencies, nonprofit, limited dividend, cooperative organization, or by private builders or investors who sell completed projects to such organizations. HUD will insure 100% of total project if the applicant is a nonprofit or cooperative cooperation.

Scope of program: Cumulative activity through June 1977 includes 1,597 projects with 132,858 units insured for a value of $1,728,109,137.

SECTION 213: COOPERATIVE HOUSING

Types of loans insured: Loans for construction, rehabilitation, acquisition, improvement, repair of cooperative housing projects of five or more units; resale of individual memberships in cooperatives; construction of projects composed of individual family dwellings to be bought by individual members with separate insured mortgages.

Applicant eligibility: Housing cooperative cooperations or trusts, and qualified sponsors who intend to sell the project to a cooperative or trust.

Scope of Program: Cumulative activity to June 1977: 2,062 projects with 116,165 units insured for a value of $1,538,489,959.

SECTION 221(d)4: MULTI-FAMILY RENTAL HOUSING FOR LOW AND MODERATE INCOME

Types of loans insured: Loans for the construction or substantial rehabilitation of cooperative or rental housing of five units or more for moderate income or displaced families.

Applicant eligibility: Individuals, partnerships, corporations, or other legal entities approved by the Commisioner, including nonprofit, limited dividend, cooperative and public mortgagors. Mortgage insurance cannot exceed 90% of the HUD/FHA estimate of the replacement cost of the project.

SECTION 234: CONDOMINIUM HOUSING

Type of loans insured: Loans for the purchase of individual family units in multi-family housing projects (234(c); or the construction or rehabilitation of projects to be sold as condominiums (234(d)).

Applicant eligibility: Credit-worthy mortgagors or profit or nonprofit developers.

Scope of program: Cumulative activity to June 1977: 617 projects with 35,760 units insured for a value of $330,645,306.

SECTION 223(e): HOUSING IN DECLINING NEIGHBORHOODS

Types of loans insured: Mortgage loans to finance the purchase, rehabilitation or construction of housing in older declining but still viable urban areas where conditions are such that normal requirements for mortgage insurance cannot be met.

Applicant eligibility: Homeowners or project owners eligible for the FHA mortgage insurance they are seeking.

Scope of program: In the nine years since its inception, 187,824 units were insured for a total of $2,07(,432,528.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

General Description and Purpose

The CDBG program was authorized by the Housing and Community Development Act passed by Congress in 1974 and renewed in 1977. The Act replaces several federally-funded categorical programs which in the past had been separately funded and administered, including Urban Renewal, Model Cities, Housing and Rehabilitation loans and grants, open space and historic preservation, public facility loans, and water and sewer improvements. Under the earlier programs, cities had to compete year by year with one another for funds. With the CDBG program cities receive one direct "block grant" the size of which is determined by formula.

Basically, the Act is intended to contribute to the "development of viable urban communities by providing decent housing and a suitable living environment and by expanding economic opportunities, principally for persons of low and moderate incomes. For the most part, CDBG funds must be spent on physical or economic activities rather than social services. (However, some social services which can be proven to support physical development are allowed under the new service-NSA component authorized by the '78 regulations.)

Use of Funds for Housing Needs

Nationwide some 13.3% of CDBG funds have been spent on housing rehabilitation. In general, the most appropriate uses of CDBG funds in the housing area include loan rebates and interest reduction subsidies. CD funds may sometimes be used to provide mortgage insurance if federal programs are not sufficient. In addition, funds may be used to provide direct loans; however, this tends to tie up significant amounts of the fund in individual properties. CD money may also provide seed grants to nonprofits to be used for the acquisition of property for rehabilitation.

In Massachusetts, housing rehabilitation assistance (both financial and technical) to property owners is the key component of practically every neighborhood revitalization program in the Commonwealth. The programs rely on some form of incentive grant or loan assistance to residents and represent anywhere from 10 to 25% of the city's total CDBG budget.

CDC's As Recipients of CDBG Funds

There are a number of examples in which cities have either contracted with neighborhood groups to operate particular CDBG programs or have set up CDC's to operate CDBG funded programs (for example, Riverside Cambridge Community Corporation). Thus, CDC's have used CDBG funds to: set up credit unions; help sponsor NHS projects; develop new or rehabilitated low and moderate income housing; operate homesteading programs; set up business and job redevelopment projects.

How the CDBG Program Operates in Boston

In Boston, the vehicle for the utilization of CDBG funds is called the Neighborhood Improvement Program (NIP). Through this program, the city's block grant is combined with supplemental public funding from the city, state and federal levels and is focused on programs in the areas of housing, economic development, neighborhood business districts, capital improvements, neighborhood services and urban renewal. More specifically in the area of housing, the city has supported activities around home improvement (i.e., HIP), demolition of abandoned buildings and restoration of vacant land. Economic development activities supported by NIP include: acquisition and site improvements; and other capital improvements.

In fiscal year 1980, the city will be receiving 25.9 million dollars in federal funds.

The allocation of CDBG funds must be based on a process which involves citizen participation. The official process in Boston is as follows:

> A series of public meetings are held in each neighborhood of Boston, under the auspices of the local Little City Hall, to solicit citizen advice and suggestions as to how CDBG funds should be spent in the neighborhoods as well as to explain the technicalities of the program. Citizen opinions and proposals for spending of CDBG funds are, in turn, reviewed by a neighborhood professional programming team consisting of the Little City Hall Manager, District Planner for the Boston Redevelopment Authority and Neighborhood Programmer for the Office of Program Development.

The neighborhood programming team determines project and proposal eligibility and feasibility.

After review by the neighborhood programming team, proposals are in turn forwarded to the city's Neighborhood Development Council and ultimately to the Mayor. The Mayor in turn recommends a final plan on spending CDBG funds in Boston to the City Council. Once the plan is approved by the Council, it is forwarded to Washington for final review and approval by the Housing and Urban Development Department.

Relevance to the North End: Advantages and Difficulties

- Advantages

CDBG is the largest source of grant money available and it is uncategorical. Thus, it could conceivably be used in a variety of innovative ways in order to address neighborhood housing needs, especially if it were channeled through a community-based and guided organization such as a CDC.

The citizen participation component of the CBDG has been strengthened by regulations published this year. This could provide a lever by which to open up the process in Boston.

The CDBG program provides an opportunity for immediate action by an organization like the Task Force, both through participation in the hearings and through ongoing intervention into the later stages of the process.

- Difficulties

At present, the CDBG allocation process in Boston is highly political and the citizen participation component has been somewhat weak in implementation. North Enders will have to be both organized and persistent in their efforts to obtain fund allocations for community needs and to monitor the use of these funds.

In the past, the bulk of CDBG money allocated for the North End has not gone towards meeting residential housing

needs. Thus, some $428,000 was allocated for the Historic Lighting Program and street improvements compared to $125,000 allocated for HIP expenditures in the North End for fiscal 1978-1979. (Information is from the NIP.)

Also, there is a lack of clear monitoring process to determine how funds which have been allocated are actually spent in the North End. For example, the NIP for 1978-1979 set aside $10,000 for the provision of a housing advocacy program for senior citizens. In order to determine whether, and how, fund allocations like this one are actually spent, the Task Force might set up an on-going monitoring committee.

HOUSING ASSISTANCE PLAN

As part of its CDBG proposal, the city must also submit a document which is called the Housing Assistance Plan or HAP. The HAP is a planning document which describes the condition of the housing stock, the housing needs of lower-income households and the housing programs that can be utilized to meet these needs. Programs described in the HAP include not only those which are directly funded by CDBG money, but also other HUD programs, such as UDAG's, NSA's, NHS's, Section 8 or 312 loans. The HAP also establishes annual goals for housing assistance to renters and homeowners based on the information it assembles and a realistic estimate of anticipated funding.

Like the CDBG proposal, the development of an HAP requires citizen participation. Citizen input regarding the HAP is solicited at the public hearings. Ultimately, the HAP in conjunction with the CDBG application is submitted by the city government to HUD for approval. Once the HAP is finally approved, it becomes binding in the sense that HUD can only approve the funding of federal housing programs, such as Section 8, 312, UDAG, in neighborhoods which have been designated as being needy in the Housing Assistance Plan. The city does, however, have the discretionary capacity to over-rule the HAP. In general, the city government is able to exercise a substantial amount of control over the targeting of federal programs through its capacity to interpret the HAP.

Although, in the past, HAP's have set priorities for a year in advance, with the new CDBG regulations in effect, this year's HAP will set priorities for three years in advance. Thus, it is especially important for North Enders to have input to the Housing Assistance Plan this year.

URBAN DEVELOPMENT ACTION GRANTS (UDA 's)

PURPOSE

Action grants assist severely distressed ci ies and urban counties to revitalize local economies an reclaim deteriorated neighborhoods through a combinatior of public and private investments in projects of maximum nefit to low and moderate-income persons and members of   nority groups.

APPLICANT ELIGIBILITY

HUD awards grants to severely distressed ci es. In order to be eligible for an Action Grant, a cit must meet at least three out of six minimum standards of ysical and economic distress. The types of criteria used clude per capita income, population out-migrations; unemp yment rate; job lag in retailing; age of housing stock and verty level. In addition, the city must evidence demonstrat results in providing housing for low and moderate income p sons and in providing equal opportunity in housing and empl ment for low and moderate income persons and members of mino ties.

Once a city is declared eligible for an Acti n Grant, it must then submit applications for the projects proposes. Innovative projects which involve combined publ /private sector support of economic revitalization or ne hborhood reclamation are sought. (UDAG's should have a ur to one ratio of private to public sector financing.)

CRITERIA INCLUDED FOR THE EVALUATION OF PROJECTS

- The impact of the community's proposed proje t on low and moderate-income persons and minorities.
- The nature and extent of financial particip ion by the private sector in the project.
- The extent of financial assistance to be mad available by the State.
- The nature and extent of financial particip ion of other public entities such as city government.

- The impact of the project on the physical, fiscal or economic deterioration of the community.

- The extent to which the project represents a special or unique opportunity to meet local priority needs that are consistent with economic revitalization or reclamation of neighborhoods.

- The feasibility of accomplishing the project in a timely manner.

- The applicant's demonstrated performance in carrying out housing and community development programs.

ADMINISTERING OFFICE

Secretary for Community Planning and Development, HUD. While HUD has final authority to approve applications for projects, the selection of projects within a city to be submitted to HUD is made by the city.

STATUS

Active.

SCOPE

Nationwide $400 million has been appropriate for Action Grants in fiscal year 1978-1979. Grants for cities of more than 50,000 averaged $3 million.

Boston has been determined as an eligible city for UDAG funds and presently operates projects in a number of neighborhoods.

APPLICABILITY TO THE NORTH END

Although a case could be made for the appropriateness of the North End as an UDAG project area based on high numbers of substandard units and low per capita income. It is felt that other areas of Boston more clearly qualify. The problems

the North End has or may anticipate have not so much related to deterioration as they are to the consequences of revitalization. The need here is not to turn around decline, but to control revitalization.

HOUSING IMPROVEMENT PROGRAM (HIP)

PURPOSE

The program is intended to preserve and improve the neighborhoods in Boston by providing incentives for rehabilitation of owner-occupied homes.

BENEFITS

There are three major forms of benefits provided by the HIP program: a rebate; a tax shelter and technical assistance. Home owners can receive a cash rebate equal to 20% of the value of the repair done on the building. Alternatively, the 20% rebate can be used as a means of improving the availability of loan funds from lending institutions. Larger rebates of 50% are available to low-income, elderly homeowners.

In addition, homeowners undertaking repairs will be exempted from property tax reassessment for eligible improvements. A third benefit provided by HIP is technical assistance to home owners on all matters relating to the financing and construction of the intended home improvements. Advice is also available on consumer protection, home burglary protection and energy conservation.

HOW IT WORKS

A survey must be conducted by an HIP rehabilitation specialist before the work begins in order to qualify for the 20% rebate. The specialist will be concerned with the reduction of potential health and safety hazards in order to bring the building into substantial compliance with state housing codes upon the completion of repairs. Some of the types of repairs eligible for the rebate include: electrical; plumbing; general carpentry; heating; structural and exterior walls.

The rehabilitation specialist will determine the actual eligibility of repair items after surveying the property. Rebates will be available several weeks after the satisfactory completion of the work.

APPLICANT ELIGIBILITY

Owners of buildings must meet the following requirements:

1. The property must be one to six-family units.

2. The owner must occupy the property.

3. The owner must have a taxable income of less than $16,000 per year. (Taxable income is income after exemptions and adjustments.) Income eligibility is verified through the IRS records. The maximum size of rebate which an owner can receive will depend on income category and the number of units in the building.

ADMINISTRATIVE OFFICE

Mayor's Office of Housing, City Hall. The site office for the North End is:

232 Bunker Hill Street
Charlestown, Massachusetts

Telephone: 241-9110

The HIP program is a city program, run out of the Office of Housing. The funding for the program is from the city's Community Development Block Grant. The Office of Housing Site Offices are responsible for the administration of the program on the local neighborhood level.

APPLICABILITY TO THE NORTH END

Where and when it has been utilized, the HIP program has had considerable appeal to North End residents. In fiscal year 1978-1979, projected expenditures for the HIP program equalled $125,000. However, there is a limited amount that the HIP program can do because of the small number of owner-occupied units in the neighborhood.

SECTION 8: LOWER-INCOME RENTAL ASSISTANCE

GENERAL DESCRIPTION

A rent subsidy for lower-income families to help them afford decent housing in the private market. HUD makes up the difference between what a lower-income household can afford and the fair market rent for an adequate housing unit. No eligible tenant need pay more than 25% of adjusted income toward rent. Housing this subsidized by HUD must meet certain standards of safety and sanitation, and rents for these units must fall within the range of fair market rents as determined by HUD. This rental assistance may be used in existing housing or in new construction or substantially rehabilitated units. Different procedures apply in each case.

SECTION 8 TIED TO A TENANT

Local public housing agencies administer the existing housing program, certifying eligible tenants, inspecting the units proposed for subsidy, and contracting with approved landlords for payment. (Tenants execute separate leases with landlords and pay their share of the rent.)

SECTION 8 TIED TO A UNIT

Nonprofit and profit-motivated developers, alone or together with public housing agencies, submit proposals for substantial rehabilitation or new construction in response to invitations from HUD; or they may apply to their state housing finance agency. On approval of the proposals, HUD contracts to subsidize the units to be occupied by eligible families for a 20 to 40 year period.

APPLICANT ELIGIBILITY

Tenants must be lower-income households with incomes amounting to 80% of the area median income or less. Project sponsors may be private owners, profit-motivated and nonprofit or cooperative organizations, public housing agencies and state housing finance agencies.

SECTION 8 (continued)

ADMINISTERING OFFICE

Assistant Secretary for Housing--Federal Housing Commissioner, Department of Housing and Urban Development, Washington, D. C. 20410.

In Boston, the Section 8 existing (leased) housing program is administered by the Boston Housing Authority and the Massachusetts Department of Community Affairs. Households seeking subsidized housing in newly-constructed or rehabilitated developments must contact private management agents who participate in the program, as advertised in local newspapers.

INFORMATION SOURCE

HUD Area Offices.

SCOPE OF PROGRAM

169,393 units of new construction or rehabilitation and 161,581 units of existing housing were reserved and slated for Federal subsidy in fiscal 1977. In Boston, in 1977, Section 8 subsidized about 1,000 units tied to a dwelling and 3,000 units tied to a tenant. During CD program year IV (July 1978-June 1979), Section 8 new construction and substantial rehabilitation assistance will focus on Boston Plan neighborhoods: Hyde Park, Chinatown, Franklin Field, Dorchester and the Save-More Area of Roxbury. Fiscal year 1979 funding: $1.33 billion.

In Massachusetts: In 1972, more than $40.7 million was allocated among various subprograms:

1. Demonstration rehabilitation, a nationwide experimental project, received more than $3 million distributed among five Massachusetts cities in the subsidizing of 664 housing units.

2. State agency projects (either MHFA or DCA): $6.6 million -- which in turn is distributed to developers.

3. Loan Management Set Aside Program: $15 million for 810 housing units. (Designed to assure the continued availability of units in these existing multifamily projects to lower-income families.)

4. Notification of Fund Available (NOFA): $15.8 million allocated for 3,177 units that include projects that are either new construction or substantial rehabilitation. In existing Housing Program: $8.8 million to local PHA for 4,843 housing units.

(NOFA's specify location, number of units and whether units are to be new or rehabilitated. Developers then submit applications to HUD, which reviews them on the basis of rents, site design, previous experience of developers, likelihood of financing, overall feasibility, local government review and A-05 clearing house comments. The process, from release of NOFA to signing of contract, takes four months.)

5. Farmers Home Program: $633,000 for 168 units. This program money is given to the Farmers Home Administration and they distribute it to developers.

6. Urban Renewal Preselected Sites: $3.8 million for 783 units. Under this program the city preselects a site from a previously approved urban renewal area and upon approval from HUD, selects a developer either through advertisement or the standard urban renewal selection procedures.

ALLOCATION OF SECTION 8 TIED TO UNITS

Since the Housing Act of 1976 directing communities to take local needs in consideration and to assign appropriate priorities for the local community, the HAP plan is a key document in the allocation of Section 8 funds. For instance, when MHFA, which distributes 75% of Section 8 requests Section 8 money for proposed development, HUD "holds" money at that time. Eventually, the proposal must be reviewed and judged to comply with the HAP in order to be funded.

Section 8 (continued)

APPLICABILITY TO THE NORTH END

Section 8 rental subsidies are a key part of most programs aimed at maintaining quality housing for low and moderate income residents in the North End. Although the state also operates a rental assistance program, Ch. 707, this program is much more limited in scope and eligibility and its future remains very uncertain. Consequently, Section 8 may, in practice, be the only rental subsidy program available to North End residents.

However, funding for both Section 8 programs is very limited. In addition, the North End is already the recipient of a significant amount of Section 8 subsidies tied to units within the new housing for the elderly here. Its ability to bring more Section 8 subsidies depends, it is generally felt, on its success in convincing the city that they are indeed needed and on its ability to develop innovative proposals for using Section 8 funds to stop displacement here.

Both Framingham and Somerville, for instance, have experimental Section 8 programs oriented toward small homeowners. Here Section 8 is used with 312, enabling owner-occupants to do low-cost rehabilitation and to hold down rents at the same time. However, this is a difficult approach because of the huge amount of paperwork involved in having to deal with a 20 to 40-year contract made directly with HUD and its huge bureaucracy. Nevertheless, conceivably such a program could be developed for use in the many owner-occupied buildings in the North End.

REHABILITATION LOANS

SECTION 312:

General Description

Loans to assist rehabilitation in federally-aided CDBG, Urban Homesteading, Urban Renewal and Code Enforcement areas. Financed through United States Treasury notes, 312 loans provide direct, 20-year, 3% federal financing of the rehabilitation of residential, mixed-use, and nonresidential properties in the above areas certified by the local government. By financing rehabilitation to bring the property up to applicable code, project or plan standards, the loans prevent unnecessary demolition of basically sound structures. A loan may provide for insulation and installing of weatherization items. Loans may not exceed $27,000 per dwelling unit or $50,000 for nonresidential properties and the actual amount of a loan may be less, depending on certain factors. Up to 80% of each loan may be used for refinancing of existing indebtedness.

Applicant Eligibility

Property owners in the aforementioned federally-aided areas and business tenants of such property whose leases have at least as long to run as the terms of the loan. The applicant must evidence the capacity to repay the loan and be unable to secure necessary financing from other sources on comparable terms and conditions. Preference is given to low and moderate income applicants. However, because property owners must have a moderate credit rating in order to participate, recipients of the loan tend to be moderate to middle income.

Administering Office

Assistant Secretary for Community Planning and Development, Department of Housing and Urban Development, Washington, D.C. 20410.

Information Source

HUD Regional Offices and Area Offices, BRA, and the Mayor's Office for Housing, City Hall.

Scope of Program

From 1964 through September 30, 1977, rehabilitation loan reservations aggregated about $471 million with $85 million in reservations in fiscal year 1977.

Current Implementation in Boston

The city is using 312 loan monies in certain neighborhoods which are characterized by a high degree of property equity, deteriorated housing stock, and a demonstrated willingness of area homeowners to make repairs. (Now being used primarily in code enforcement and urban renewal areas.)

Processing Procedures

A Rehabilitation Specialist prepares detailed work specifications and a cost estimate of the home improvement work. Bids are then solicited from qualified contractors; any contractor can be used who meets the federal requirements. Program Rehabilitation Specialists make periodic inspections of work in progress to insure that the contractor is doing quality work. Progress payments are made to the contractor based upon the approval of both the owner and the Rehabilitation Specialist. The homeowner makes loan repayment to the federal government through a designated loan servicer.

APPLICABILITY TO THE NORTH END

Before the advent of the CDBG program, 312 loans were used primarily in conjunction with one to four-unit dwellings. However, CDBG programs (i.e., HIP) are now viewed as appropriate vehicles for the upgrading of these structures, and public officials and HUD are turning to the 312 Program for financing of rehabilitation in smaller and middle-range multiple dwellings. This new emphasis will be facilitated as HUD takes steps to reduce the processing requirements heretofore associated with 312 loans. Thus, if 312 money were available to North End residents, it could be used by property owners to rehabilitate many multi-unit structures here not eligible for the HIP program.

The 312 loan program is also seen as one of the primary financing sources to be used with an NSA effort and municipalities are encouraged to reserve all or part of their 312 allocation for use in NSA designated areas. However, it is unclear, first, if the NSA program will continue as an important HUD focus next year and, second, if the North End could qualify as an NSA.

Furthermore, Boston's present 312 allocation is very limited. In Boston, these monies were originally divided for use between the Office of Housing and the BRA (for urban renewal areas). The BRA's allocation is now apparently being stopped and the Office of Housing has only enough 312 monies to carry on with its current programs.

However, HUD also keeps one-half of available 312 monies in Washington, out of the common pot distributed to municipalities, for use in the funding of innovative housing proposals. Presently, because the issue of displacement is arousing national concern, it is felt that communities like the North End would have a fair chance of getting 312 monies directly from HUD, by developing specific innovative proposals focused on stopping displacement.

HISTORIC DESIGNATION

General Description

There are two different kinds of historic designation relevant to Boston neighborhoods:

1. Listing on the National Register (i.e., Back Bay, South End, parts of the North End)

   - Private owners can alter or demolish a building without approval. However, a federal program, such as Urban Renewal, cannot alter or demolish a building without review and approval.

   - Residents of an area have no voice as to whether their neighborhood is to be listed. They are merely notified.

2. Historic District Designation

   - No external changes can be made on a private building without review by the Board.

   - Procedure for Historic District Designation:

     The Boston Landmarks Commission was established in 1975 to help identify and protect important architectural features throughout the city. The direct power power is to designate Landmarks, Landmark Districts, Architectural Conservation Districts, and Protection Areas. However, by law, the Commission may designate only Landmarks, not districts, in the Downtown, Back Bay, Beacon Hill, Bay Village, and North End areas. Consequently, to become a historic district in Boston, an area must use Chapter 40-C of the Mass. General Laws. This enabling legislation permits the City Council to establish historic districts in the city by a two-thirds vote; such a historic district has its own district commission with design review responsibilities.

Advantages of Historic Designation

1. Historic Preservation Loan Programs:

Historic Designation (continued)

New program which expands existing Title I Home Improvement Programs providing FHA insurance for loans to finance preservation, restoration and rehabilitation of buildings and historic placed including residential structures within a National Registry District.

Loans are made from private lending institutions for a period up to 15 years and C.D. funds may be used to subsidize the market rate on the loans. (Regulations in Federal Register - July 1, 1977). Up to $15,000 and no more than $45,000 per structure.

2. Offers Certain Tax Benefits:

   In some cases a building owner may amortize costs of rehabilitation over five-year period. If cost of the rehabilitation exceeds $5,000 on adjusted basis to property, the owner may take accelerated depreciation by depreciating adjusted basis at faster rate than otherwise allowed.

3. Increased attention to a neighborhood can prevent residents from selling, and can build confidence in a neighborhood.

4. Provides assurances to lenders around long-term viability of an area.

5. May serve to bring in additional resources.

Disadvantages of Historic Designation

1. Usually raises property values. (This may be either good or bad, depending on circumstances.)

2. May make area more attractive to outsiders.

3. Looked at with suspicion.

4. Proponents of historic designation are rarely in favor of low and moderate-income housing.

5. Designation is usually only made in small areas.

Also, for the North End it appears doubtful that it would ever be possible to designate it as a Historic District. Given the controversial and political character of such a designation, it would most likely be very difficult to win the approval of the City Council.

JAMAICA PLAIN NEIGHBORHOOD DEVELOPMENT CORPORATION

In 1976, a conference was organized by the Jamaica Plain Neighborhood to introduce the concept of a CDC to Jamaica Plain residents, with guest speakers from Boston area CDC's. Participants at the conference voted to establish a steering committee to carry on the process of planning for the formation of a CDC. As a result, 300 residents met in committees for a year and a half to research possible areas of activity for a CDC from both need and feasibility points of view and to develop an organizational design responsive to the needs of the community.

By June 1977, articles of incorporation were filed and a set of bylaws developed forming the Neighborhood Development Corporation as a private nonprofit corporation. Membership in the corporation is open to all Jamaica Plain residents 18 years of age or older and to nonresidents who work or own businesses in Jamaica Plain for an annual membership fee of $1.00. Members are eligible to nominate themselves or other members for election to the Board of Directors, vote for the Board of Directors, and participate in working committees of the corporation. It presently has 250 paid members.

The Board of Directors elect the officers of the organization (president, vice-president, treasurer and clerk) and retains ultimate decision-making power, and sets guidelines within which the staff operates. The Board hires and directs the Executive Director, approves the annual budget and makes final decisions on program and project implementation in accordance with the Neighborhood Development Corporation's comprehensive objectives and priorities. All Board members, who consequently must make many business and technical decisions, attend a training program conducted by the Cambridge Center for Economic Development (CCED) and the National Congress for Community Economic Development.

The NDC is involved in a number of economic development activities in Jamaica Plain, not just housing rehabilitation and development. However, housing programs are still an area of top concern. Its efforts here involve two major approaches: 1. Housing conversion and reuse projects; and 2. provision of low-cost housing repair services for renovation of existing housing.

Current projects in the first category include the development of plans to convert a Jamaica Plain school that is to be

abandoned in 1979 into mixed family and elderly housing. The Development Team for the project includes consultants from the Greater Boston Community Development Corporation, as well as architects and engineers involved in doing structural design and evaluation. The NDC has also signed a contract with the Elderly Affairs Commission to perform planning and feasibility studies on the possibility of converting nursing homes in the neighborhood to alternative modes of elderly housing.

The major component of the second program category is NDC's Tradewinds project. Here, youth in the community are employed to rehabilitate owner-occupied buildings in the neighborhood. The goals of the program are two-fold: first, youth receive on-the-job training in construction skills and, second, homeowners are able to renovate their buildings at a very low cost, since they pay only for the cost of materials, not labor.

EAST BOSTON COMMUNITY DEVELOPMENT CORPORATION

Population: 38,900 - 80% of which are of Italian origin
60% of East Boston structures are owner-occupied.

The East Boston Community Development Corporation formed in 1973 in response to a battle over the expansion of the Airport. There are 19 persons on the board of directors who are all elected by the Corporation stockholders. The CDC now has 8,000 residents who own one share of CDC voting stock and 3,600 residents participated in the last annual meeting.

One of the primary concerns of the East Boston CDC has been bringing businesses and, thus, jobs into the community, both through providing them with start-up money from a revolving loan fund it has established, and by becoming involved itself in business ventures. However, housing development has also been a major component of its economic development strategy, having as its primary goal the development of quality low and moderate-income housing which would keep rents within the needs of the area residents.

In fact, one of the first projects undertaken by the CDC after its formation was the organization of the Housing Renovation Corporation, a wholly-owned limited-dividend subsidiary of the CDC. Its first undertaking was the renovation of eight blighted buildings on four scattered sites.

The project first received loan money from MHFA at a 7 1/2% interest rate and, then, additional state monies to subsidize this interest rate, reducing it to only 1% on 75% of the proposed units. Finally, funding for rent subsidies was also received, allowing for 25% of the units to be made available to low-income families. When finished, the project produced 96 quality apartments, with 25% targeted for low-income families, 50% for moderate-income families, and 25% rented at the market rate.

Finally, the Housing Renovation Corporation was also able to raise an additional $214,000 because as a limited-dividend corporation it was able to sell notes to investors for tax shelters. The money could then be used to help offset rent increases and to help maintain the buildings.

HISPANIC TENANTS IN ACTION

IBA (Inguilnos Boriquas en Accion or Hispanic Tenants in Action) is a community development corporation located in Boston's South End. Conceived in 1967, the organizing of IBA was in response to a plan for the redevelopment of the South End by the BRA which would principally demolish the entire area with virtually no thought for the people living in the area. Once the BRA plan was proposed, there was an immediate reaction against it and unanimous opposition among groups that had separate and distinct motives in opposing it. Volunteers came to the South End when the plight of the South End neighborhoods was recognized from without. The communities mood was soon focused and church congregations contributed people and money. For a year meetings were held to determine the shape of the opposition. Maps were made, surveys taken. People went through the neighborhoods, talked to every resident, and found out "what was here and what people want". Among other things, what they clearly wanted was to stay in their neighborhood.

IBA became a structured agency, run by a Board of residents and volunteers. It developed a thoughtfully finished plan of construction supported by detailed testimony of residential needs. Using political finesse, the Executive Director of IBA was able to impress the cities Mayor Kevin White and the new Director of the BRA John Warner with IBA's plan, thus receiving the sanction of the BRA to begin work.

Ten years have passed since the more primal urgencies of those days. The bright-brick architecture, new and rejuvenated, of what is now referred to as VILLA VICTORIA testifies to the people's notion of their neighborhoods' permanance. The ownership and financing of all the buildings affected are as mixed as the manner of construction. Some belong to the BHA which subcontracts the management of the building back to the community. As with all aspects of IBA, financing the corporation in the beginning was assembled - piece by piece and over time - from the viewpoint of what was available. Today IBA is a limited profit corporation which sells the depreciation of old buildings to outside investors. As a result IBA gets the investor's money while the investor gets helpful tax benefits. The Council of Ministries was the first to give IBA money, IBA now receives money from federal, state and city agencies, from the United Way, and from private foundations. CETA pays its security guards. IBA has also diversified to help meet other community needs. HEW, through Title 20 of the Social Security Act pays IBA's social service staff. The State Welfare Department funds its day care, the nutrition program its meals.

IBA's organization has, over time, become intric te, a by-pro-
ict of its expansion and ambitions. There are 3 fun tioning boards:
ie - for new development, one- for the routing gover ent of the
mmunity, and one- for social services. For a dolla a year, each
sident belongs to the organization that elects the overning board.
e entire resident organization meets annually, the verning board
nthly. The governing board is comprised of communi residents
d outside volunteers.

IBA, in the truest sense, is a corporation for i community.
spite the fact that today the organization is a lar bureau-
acy, IBA still gets a good deal of feedback from re dents and
s consistently proved itself to be responsive to su input.

COOPERATIVE HOUSING

General Description

A housing cooperative is a nonprofit housing corporation which is owned and controlled by the residents/stockholders. The cooperative corporation owns all of the land and the buildings under a single deed. It is responsible for a single mortgage and a single tax bill. Each resident/stockholder is responsible for a proportionate share of the mortgage taxes and operating expenses. Each member owns a share (sometimes more than one share) in the corporation. This entitles the member to an occupancy agreement, entitling him/her to occupy a dwelling unit in the development, to vote in the management of the corporation, and to receive the tax benefits of home ownership. The resident can purchase these shares with a small initial investment.

How Does it Work

A housing cooperative runs like other nonprofit corporations. Its membership is comprised of the residents in the housing development. (The size of the development can vary from 10 units to several hundred.) From the membership is elected a board of directors. All members participate in decisions about matters affecting the cooperative such as capital expenditures, changes in the occupancy agreement, budgetary allocation, renovation of the building. Housing cooperatives usually employ a management agent who is responsible for fiscal management and who is accountable to the board and membership. (This is considered advisable, even for smaller cooperatives.)

Cost of Joining a Cooperative

Individuals joining the cooperative make an initial investment or down payment. In low and moderate-income cooperatives this initial investment should be kept low so that membership is made possible for individuals without savings. The cost for an individual of buying into the cooperative is dependent on two major factors. One factor is the type of mortgage loan originally taken out by the cooperative corporation to finance purchase and rehabilitation or construction of the cooperative

development. (For example, 100% financing means that the lending institution will cover the entire cost, with no down-payment required at the start; 90% means a 10% down payment is required.) Another factor is how long the cooperative has been in existence when the individual wants to join it. Purchase of a membership from another member who is moving out of a cooperative can be expensive if the original member has built up a lot of equity. Adjustments must be made in cooperative design to avoid the necessity of new members having to make large capital investments to buy into the cooperative -- this will be discussed in greater detail later.

Ongoing Costs of Belonging to a Cooperative

After making the original investment to buy into the cooperative, a member continues to pay a monthly carrying charge. Carrying charges are the resident's share of the expenses of the cooperative. Included in the charge is the resident's share of the mortgage payment (principal and interest); real estate taxes; fire and liability insurance; repairs; maintenance; supplies and management fees; and other expenses. Generally, the size of the carrying charge that a family pays will depend on the size of unit it occupies. In low and moderate income cooperatives or mixed-income cooperatives, Section 8 money may be used as a cost subsidy in some of the units.

Selling Your Share in the Cooperative

In order to maintain low and moderate-income membership in the cooperative, members who move out of the cooperative development must sell their shares to families of similar economic status. This may be difficult if a member has built up a lot of equity or if the market value of the property has increased significantly. One way of dealing with this issue is demonstrated by strategies undertaken by cooperatives developed in Lexington and Beverly by the Catholic Archdiocese. These developments set limits on recoverable value of membership shares sold by moderate income residents who move out within five years of joining the cooperative. Low-income families are able to redeem their stock through a stock repurchase fund established and maintained by the cooperative. All down payments of low-income residents are placed in this interest bearing escrow account. When a low-income family leaves, they redeem their accumulated equity from this fund. This stock

repurchase mechanism is designed to assure that the departing low-income family will be able to redeem its equity while preserving the low down payment price for successor low-income families entering the cooperative.

Advantages

Cooperative housing can enable low and moderate residents to become home owners at a minimal starting cost for the individual. By living in a housing cooperative, the resident can take advantage of the financial benefits of home ownership including: the opportunities to build equity; tax deductions (each stockholder will be able to deduct his proportionate share of mortgage interest and real estate taxes); and eligibility for loan and rebate programs aimed at homeowners (i.e., HIP); protection against rising costs due to market supply and demand forces (increases in monthly payments are limited to actual increases in operating costs, rather than market conditions such as housing shortages); absence of landlords' profits; and reduced maintenance costs. (Experience has shown that owners take better care of the over-all property than tenants do.)

Difficulties

At present, Massachusetts banks are reluctant to deal with housing cooperatives. This has stymied the development of housing cooperatives in Massachusetts because cooperative corporations have had difficulty in obtaining an initial mortgage loan to purchase and rehabilitate property. However, institutions such as MHFA have begun to finance the development of cooperatives (The Archdiocese project sets a precedent.) In addition, federal mortgage insurance (213, 221(d)3 and 4) can insure private lending institutions on loans that they make to cooperatives in order to finance housing. Their insurance covers loans made not only for construction, rehabilitation and acquisition of cooperatives, but also for the resale of cooperative membership. This latter clause particularly addresses the problem of membership transferral. (The unwillingness of banks in Massachusetts to finance housing cooperatives has also meant that members buying resold shares in cooperatives have had difficulty in obtaining a second mortgage to pay the accumulated equity in the share.) Despite these federal programs, Massachusetts banks are as yet unwilling to deal with cooperatives.

There is some evidence that this situation is changing. However, in the meantime, other financing must be sought if a cooperative strategy is to be viable. MHFA is one. In addition, federal legislation is now setting up a national cooperative bank to support all types of cooperative efforts.

NEIGHBORHOOD STRATEGY AREAS

General Description

The NSA program is a demonstration effort using a special set aside of Section 8 substantial rehabilitation contract authority to provide local governments with a direct control over housing resources. The set asides are awarded on the basis of a national competition; in fiscal year 1978, a total of 20,000 units of contract authority was available. In order to qualify for the funds, communities must prepare a detailed plan for dealing with a specific neighborhood area. The local government must assess the need for rehabilitation, determine the need for other housing resources, and plan for their provision, and develop its own plan for revitalizing the neighborhood with community development and other resources over a five-year period.

Although the only additional assistance provided under the NSA program is Section 8 Substantial Rehabilitation Subsidy Funds, participating communities are required to devote considerable CDBG and other local resources to their neighborhood efforts, and the attraction of private financial investment in the community is a key element in the NSA strategy.

Application Procedure

Communities are given 90 days to submit applications for the program after notification of fund availability is published in the Federal Register. The program uses specially set aside Section 8 funds; NSA applicants will not be competing with the general Section 8 allocation process in filing their applications. One-half of the units set aside for the program in fiscal year 1978 were general Section 8 funds. The remaining 10,000 units were available only for projects which were financed by the State Housing Finance Agencies.

Who May Apply

Any unit of general local government which is participating as an entitlement recipient in the CDBG program may apply for NSA designation. Communities participating as discretionary grantees are not eligible for the NSA program. This is because

the NSA program presupposes an assured source of community development funds over at least a five-year period, to ensure that the other physical development needs of the area will be met satisfactorily.

What Is Required In The Application

Because the NSA program involves a close coordination of housing and community development resources, communities are encouraged by HUD to closely coordinate the development of the NSA application with the development of CDBG and HAP programs. Applications for NSA designation and CDBG may be submitted concurrently if the community's block grant cycle permits. In addition, other requests for development aid, such as UDAG's, the Department of Public Work's Grant Program, should also be integrated with the NSA application process where possible. If appropriate activities necessary for the area's revitalization are not contained in your CDBG application, the NSA application cannot be approved by HUD.

The information required in an NSA request can be separated into three basic categories:

(1) An outline of existing conditions in the target neighborhood;

(2) A description of the neighborhood and housing revitalization work which will be undertaken; and

(3) A detailed description -- including proposed schedules -- of when, how, and in what sequence you will administer the program to ensure that the proposed activities actually take place.

Key Areas of Concern to HUD Within the Application

(1) Administration

(2) Housing Program Coordination

(3) Financing

(4) Multiple Applications

(5) Relocation: HUD has determined that the provisions of the Uniform Relocation Act do apply to privately-financed rehabilitation in NSA's because of the heavy public investment which the program entails. This is a significant departure from the normal Section 8 program, where the Uniform Act does not apply. Consequently, a plan has to be submitted which indicates the anticipated workload caused by NSA-related rehabilitation, the availability of financial aid, housing resources, and the staff capacity needed to ensure that relocation opportunities are carefully managed.

(6) Displacement: All NSA applications must be sensitive to this issue. Where you have a neighborhood which is beginning to turn around, with a new influx of middle or upper-income families, the NSA program can be helpful in making it possible for those who have lived in the neighborhood longer and who may have lower incomes to remain there and enjoy the newly revitalized area. Generally, this approach to NSA highlights an important point: the program is not limited to areas which have declined or are deteriorating.

Selection Criteria

Priority will be given to applicants meeting the following selection criteria:

(1) Degree of local public commitment

(2) Degree of private commitment

(3) Guaranteed supportive services

(4) Overall quality

(5) Demonstrated local capacity

(6) Displacement: Priority will be given to those applications which anticipate the least amount of permanent displacement of area residents.

(7) Progress in Equal Opportunity and Fair Housing: Priority will be given to applications from communities which can demonstrate progress in fostering and achieving equal opportunity and fair housing.

Current Status

For several reasons it is unclear whether the NSA program will continue, at least in its present form, next year. During its first year of operation, for instance, it is turning out to be a very expensive program. Many feel it has also been over-allocated, since over 80% of the applications sent to HUD were eventually approved. In addition, although the program demands relocation plans during rehabilitation, no funds are provided to implement such plans. Finally, many feel that because the program was initiated so quickly, no allowance was made for sufficient neighborhood input.

Applicability to North End

If the NSA program continues next year, the North End appears to be eligible to qualify for it. Areas experiencing displacement as a result of neighborhood revitalization are specifically mentioned as potential NSA's. However, efforts will have to be made by the North End to convince the city that for these reasons it should be one of the areas recommended. Boston neighborhoods designated last year as NSA's did not include any areas undergoing gentrification.

It must also be noted that NSA designation may be denied to the North End because it is an all-white community. Another criterion for selection is that communities should be able to demonstrate progress in achieving equal opportunity and fair housing.

NEIGHBORHOOD HOUSING SERVICE (NHS)

General Description

The NHS is part of the Urban Reinvestment Task Force, a joint effort of HUD and the Federal Home Loan Bank Board initiated in 1977. Urban Reinvestment Task Force programs try to demonstrate how a declining but still viable neighborhood can be revitalized through a partnership of residents, financial institutions and local governments. The purpose of the program is to stimulate reinvestment in these neighborhoods. Its beneficiaries, therefore, are residents of declining but still viable neighborhoods.

The major role of the Task Force in NHS is that of a catalyst, bringing together members of local partnerships. Through the NHS program, the Task Force provides both technical assistance and up to $50,000 in seed money in order to aid groups in setting up high risk revolving loan funds. A local NHS program in Boston, for instance, has set up a private, tax-exempt, state chartered corporation with a governing board (containing local citizens, representatives from lending institutions, and representatives from local government), plus a paid staff of three to administer the program. Staff members functions may include: rehabilitation counseling, construction monitoring, and financial services.

Funding

From May 1977 to August 1978, HUD is authorized to spend about $15 million to fund the Urban Reinvestment Task Force. The bulk of this funding is directed toward the NHS component.

Eligibility

Eligible recipients include community groups, financial institutions, city governments, foundations, or a combination of these groups. A typical strategy is to encourage a public/private coalition with local government investing in capital improvements and/or promoting a systematic housing code compliance program in the neighborhood and financial institutions investing money to set up a revolving loan fund for high-risk nonbankable loans and to support a small administrative staff. Local banking institutions are also expected to make a commitment toward providing loans in the target area.

Characteristics of Eligible Neighborhoods

The following characteristics have been found essential to the establishment of a successful NHS program and can thus serve as operational eligibility criteria for neighborhoods:

(1) Neighborhoods should have distinct boundaries, and contain approximately 1000 to 2000 structures.

(2) At least 50% of the buildings should be owner-occupied.

(3) Median income for the neighborhood should be no less than 82% of the SMSA.

(4) Repair costs per building would be in the range of $6000 per unit.

(5) Preferably neighborhood should be one where mortgage and home loans are difficult to obtain.

How an NHS Loan Fund Works

NHS loan funds are used to provide rehabilitation loans to owner-occupants. In general, loans have gone to one-three unit buildings. Loans can be granted at flexible rates of interest depending on the financial capability of the recipient. Innovative financing strategies are encouraged. Discretionary power in the granting of loans lies with the governing board.

Within the past year, the NHS program has seen several innovations. In some parts of the country, NHS's have set up home-buyer opportunity programs, which assist tenants in buying the buildings in which they live.

In addition, a national NHS bank has been set up to buy loans from local NHS's in order to keep local loan funds revolving.

NHS Areas in Boston

In Boston, two neighborhoods (Mission Hill and Columbia-Savin Hill) are implementing NHS programs. The form of the NHS program is somewhat unusual in that there is a central

governing board which presides over both of these programs (in addition to local boards). Although there are no definite plans, it is possible that the program in Boston could be expanded to include a third NHS in yet another neighborhood. This would be largely dependent on the cooperation of lending institutions in Boston. Such a step could be initiated by any one of three members of the partnership -- either citizens, local government, or lending institutions. If citizens in the North End are interested in exploring this possibility, they should contact Jane Meade, who is the Executive Director of the Central Board.

Applicability to the North End

The establishment of an NHS requires a strong and continued commitment by residents, financial institutions and local government. The target community must have a strong community desire to preserve and improve housing and financial institutions and local government must also offer support. The task of pulling together these various interest groups in the North End could be difficult. In particular, lending institutions in Boston have been cautious in their support of NHS's. However, one point in favor of lending institutions becoming involved in NHS's is that banks are now required to direct a certain portion of their money into community reinvestment.

In general, the North End does meet a number, if not all of the criteria for NHS target areas. The main questionable area is that many of the buildings in the North End exceed three units in size. Also questionable, though less significant, is the criterion stating that NHS's are to be established in areas where customary mortgage and home loans are difficult to obtain.

If established, the NHS program could be of benefit to the North End by providing sliding scale interest rehabilitation loans and possibly by increasing home ownership possibilities for tenants.

Contacts Re. NHS

Jane Meade, Director of NHS Program in Boston, 292-2296

or

David Parish, Assistant Director for Field Supervision
Urban Reinvestment Task Force
c/o Federal Home Loan Bank of Boston
P. O. Box 2196
One Federal Street
Boston, Massachusetts 02106

Telephone: 223-0515

COUNSELING FOR TENANTS AND HOMEOWNERS

General Description

Free counseling for owners and tenants of HUD-insured housing. HUD-approved agencies counsel prospective home buyers and homeowners with respect to property maintenance, household budget, debt management, and such other matters as may assist them in improving their housing conditions and in meeting the responsibilities of tenancy and homeownership. The counseling assistance is provided by qualified agencies voluntarily and generally without remuneration from HUD.

Applicant Eligibility

Prospective home buyers, homeowners and tenants under HUD-assisted housing programs are eligible for counseling; public and private (but generally nonprofit) agencies may apply for HUD approval.

Administering Office

Assistant Secretary for Neighborhoods
Voluntary Associations and Consumer Affairs
Department of Housing and Urban Development
Washington, D. C. 20410

Information Source

HUD Area and Insuring Offices.

Scope of Program

Approximately 450 HUD-approved agencies have provided counselling services to owners and tenants of HUD-assisted housing; 26 agencies are directly funded by HUD. $3 million have been appropriated for this purpose in fiscal year 1979.

CONDOMINIUMS

General Description

The term condominium denotes individual ownership of one or more units in a multi-unit project. Common areas and facilities are jointly maintained and operated by an association made up of all the owners in the project; this association may or may not be incorporated. Building structures and all land around and under the building are owned by all of the owners on a proportional, undivided basis, except where modified by specific state laws, and each owner has an undivided percentage ownership of the entire condominium estate. (adapted from Condominiums, Their Management and Development.)

Costs to Individual Owner

At the time of moving in, the owner must purchase his dwelling unit. This usually involves a 10% down payment on the individual bank mortgage. Mortgage payments continue until the balance is paid. The owner also makes payments toward the common estate costs.

Condominium owners benefit from homeowner tax deductions. In addition, they build up equity as they pay off their loans and as the market value of the unit appreciates.

Control Over the Housing Project

A board of managers or directors is elected by the owners to oversee the maintenance of the common estate. Each owner has the number of votes representing the percentage of value of his/her unit(s) to the total number of units.

The board may also have authority to set conditions for the selling and reselling of units in the condominium development. This could be used as a tactic for maintaining the development as a moderate income condominium.

Funding Available For Condominium Financing

Section 234 mortgage insurance.

Condominiums (continued)

Advantages

Condominiums are widely accepted throughout Massachusetts as a legitimate form of housing. Financing from private lending institutions should be readily available. Moderate income condominiums are a way of allowing moderate income families to enjoy the benefits of homeownership.

Difficulties

Condominiums are more often established as luxury housing. There are problems in establishing and maintaining them as moderate-income housing. Moreover, the initial buy-in cost could put condominium housing out of the reach of lower-income families.

LIVABLE CITIES

The Livable Cities Program of HUD was recently authorized by Congress for $5 million in fiscal year 1979 and $10 million for fiscal year 1980. This program is directed toward revitalization of urban neighborhoods through the arts, culture, and historical resources of the neighborhood community. Livable Cities is to be administered by HUD in cooperation with the National Endowment for the Arts. While the bill was authorized by Congress, the funds have not been appropriated. No guidelines are available at this time.

Of interest to this report is the possibility that revitalization programs set up by the Livable Cities Program will have special access to 312 rehabilitation loans. Although this possibility has been suggested, detailed information is not presently available. For further information, contact the HUD area office.

SECTION 202: DIRECT LOANS FOR HOUSING FOR THE ELDERLY OR HANDICAPPED

General Description

Long-term direct loans (for both construction and permanent financing) to eligible, private, nonprofit sponsors finance rental or cooperative housing facilities for elderly or handicapped persons. The current interest rate is based on the average rate paid on federal obligations during the preceding fiscal year. (Until the program was revised in 1974, the statutory rate was 3%). Participation in the Section 8 rental housing program is required for a minimum of 20% of the Section 202 units.

Applicant Eligibility

Only private nonprofit corporations or cooperatives may be sponsors. Newly-constructed, or substantially rehabilitated single-family homes, multi-family structures, and congregate housing are all eligible. Tenants may be individuals who are at least 62 years of age or who are handicapped, or may be households of two or more persons the head of which or spouse is either 62 years old or handicapped. Eligible tenants must also meet Section 8 income limits.

Administering Office

Assistant Secretary for Housing
Federal Housing Commissioner
Department of Housing and Urban Development
Washington, D. C. 20410

Information Source

HUD Area Offices.

Scope of Program

From the date of enactment through 1972, loans for 45,275 units have been approved with a value of $579,444,000. After

a brief suspension, the program was revised and reactivated by the Housing and Community Development Act of 1974. From resumption to September 30, 1976, loans were approved for 26,400 units; 21,000 units were approved for fiscal year 1977, and approximately 25,000 units are anticipated for fiscal year 1978.

Implementation in Boston

Section 8 funds are set aside for each Section 202 loan. During 1977, more than $3.3 million in 202 funds were allocated for 744 units.

Processing Procedures

Each HUD area office will receive a special pool of Section 8 funds to be used only with the 202 program. In response to a periodic advertisement published in the Federal Register, non-profit sponsors apply directly to HUD in Washington, D. C. or to area offices, depending on HUD's changing policy, for a reservation of Section 202 loan authority. If this application is approved, sponsors must then meet the regular two-stage Section 8 processing requirement at the HUD Area Office. Upon receipt of Section 8 approval, loan funds are then disbursed and construction or rehabilitation is started.

/NSA designation will not eliminate the need for developers to go through normal 202 processing procedures, but support of local governments could prove a big help in securing Section 202 awards./

Applicability to North End

Section 202 has already been used here in financing one of the projects for the elderly, but it is not clear what effect this would have on future applications.

CONGREGATE HOUSING

(From unpublished handbook written by The Shared Living Handbook Project, ABCD, Department of Elderly Affairs, Boston, Massachusetts)

General Description

A shared home is a housing arrangement for approximately three to four elderly people who share some living space, but who also have private space, and for whom at least a minimum amount of support is provided. The term "congregate housing" is an evolving term for the same concept.

Shared living projects allow for changes in the needs of people as they grow older. In general, they are less expensive to live in than regular housing. They encourage companionship in day-to-day living, still providing some privacy. Household tasks such as meal preparation and cleaning may be shared or, if necessary, outside help can be brought in. In each of the group homes there are individuals who make sure every resident's basic needs are met, and that emergencies are handled promptly. Each home is small enough to blend into its surrounding neighborhood rather than impose upon it. These group homes have allowed older persons to stay in the community where they have lived, in some cases, for their entire lifetime.

Shared Living in the Boston Area

35 Pearl Street, Somerville (Section 8 monies used)

ECHO Project, Cambridge (Cooperative Housing)

McCrohan House, Jamaica Plain

116 Norfolk Street, Cambridge

Planned project, not yet in operation:

Shared Living, Back Bay

HERE, Mission Hill

RAP, Roxbury

Organizing a Shared House

Anyone can begin the planning group, but the inclusion of potential residents from the beginning is crucial.

At some point, the group will need to decide on a formal structure, such as becoming incorporated into a nonprofit corporation. Also, it is possible funds may be available only to certain types of groups.

Funding

If a group decides to apply for funds, it must consider accountability and liability. It may be necessary to become incorporated or to affiliate with an already incorporated group in order to receive funds.

A planning group will need to locate funding for three aspects of a shared home:

(1) Acquiring the house or apartment (construction money, purchase money, rehabilitation money or rental assistance).

(2) Management and operation of the project.

(3) Acquiring services (such as housekeeping, transportion, etc.)

Living As A Group

Good recruitment and good selection processes are essential for the success of a group home. Also, preparation for the group living experience is extremely important.

Further Information

The Elder Specialist/Housing Alternatives Committee
Department of Community Services
ABCD
150 Tremont Street
Boston, Massachusetts 02111

REVISED SECTION 235: HOME OWNERSHIP ASSISTANCE FOR LOW AND MODERATE-INCOME FAMILIES

General Description

To enable eligible families to afford new homes that meet HUD standards, HUD insures mortgages and makes monthly payments to lenders to reduce interest to as low at 5%. Homeowners must contribute 20% of their adjusted income to monthly mortgage payments and make a 6% down payment on the cost of the home. There are dollar limitation loans and sales prices. Mortgage limits are $32,000 ($38,000 for homes for five or more persons) and in high cost areas $38,000 ($44,000 for homes for five or more persons).

Prior to 1976, this program provided larger subsidies to lower-income households and required a substantially smaller investment from them. Also, 1976 revisions restricted use of Section 235 to only those instances where money is to be used to cover new home construction and substantial rehabilitation of single family homes.

There is only a limited amount of funding available for this subsidy program.

Applicant Eligibility

A home buyer's adjusted income may not exceed 95% of local median income. There is no restriction on assets.

Administering Office

Assistant Secretary for Housing
Federal Housing Commissioner
Department of Housing and Urban Development
Washington, D. C. 20410

Information Source

HUD Area Offices.

Scope of Program

Cumulative activity through September 1977: 478,553 units have been insured with a value of about $8.6 billion.

Revised Section 235 (continued)

Applicability to the North End

Since this can only be used for the purchase of single family homes, it is of very limited use here.

CHAPTER 707, RENTAL ASSISTANCE PROGRAM

General Description

Chapter 707 is used to supplement state-aided public housing programs by providing rent subsidies to individuals and families who qualify for public housing but who cannot be accommodated in existing projects. The program allows local housing authorities to place individuals or families in privately-owned moderate rental dwelling units and to pay the difference between the rent charged by the landlord and the rent which the tenant would be required to pay if living in public housing.

Tenant Eligibility

Determined by income. Eligibility is restricted to individuals and families of low income, determined to be eligible for low-rent, state assisted public housing projects.

Housing Authority Participation

Based upon need, determined by criteria such as waiting lists for low rent housing projects and statistical data from various state agencies.

Applicability to the North End

Clearly subsidizes rents for low-income people only. Also the subsidy is only for five years and the BHA reserves the right to select tenants.

However, rents are often calculated to allow for a small amount of rehabilitation by the landlord.

Chapter 707 is funded in rounds and there seems to be a strong feeling that the new round will not be increased. Therefore, no new subsidies will be available next year.

MASSACHUSETTS CHAPTER 667, ELDERLY AND HANDICAPPED HOUSING PROGRAMS

General Description

Gives local housing authorities the financial and technical assistance to construct and rehabilitate housing for low-income elderly and handicapped people of any age.

Applicability to North End

A number of larger congregate apartments are presently being designed as a pilot demonstration in five locations to provide shared living accommodations having special support services. Although 667 is providing the funds for these projects, the money is being channeled through the Massachusetts Department of Elderly Affairs. These buildings would remain, however, under the ownership of the Boston Housing Authority.

Also, 667 currently emphasizes rehabilitation as opposed to new construction.

CHAPTER 705, FAMILY HOUSING PROGRAM

General Description

Provides housing units for low-income families by helping housing authorities purchase existing housing or build or rehabilitate structures on scattered sites.

It is currently being restructured in order to accomplish two primary objectives:

(1) Upgrade the housing stock in the State's older neighborhoods.

(2) Stimulate neighborhood preservation and improvement by the private sector, either in concert with Chapter 707, as part of DCA's, NIP, or as a discrete program.

Administering Office

Boston Housing Authority.

Applicability to North End

It is used as a way for the Boston Housing Authority to purchase abandoned buildings, but the buildings remain under BHA ownership. Consequently, 705 makes the BHA the landlord, and can tend to reduce the number of owner occupied units. (However, it is often the only way to get buildings rehabilitated; otherwise, it is too expensive.)

The future of 705 is very uncertain.

NEIGHBORHOOD IMPROVEMENT PROGRAM (NIP)

General Description

This is an experimental state program which focuses Chapter 705 assistance for new construction and substantial rehabilitation and Chapter 707 rental supplements on selected target neighborhoods. It concentrates on helping communities curtail the spread of blight and stabilize older neighborhoods by taking a comprehensive approach that includes: rehabilitation of housing, improving neighborhood facilities, strengthening neighborhood organizations, enlisting the support of local government, business and financial institutions.

Applicant Eligibility

Neighborhoods faced with encroaching urban blight and the consequent deterioration of their housing stock.

Administering Office

Massachusetts Department of Community Affairs.

Scope of Program

NIP is currently operating on a pilot basis in six communities: Lowell, Waltham, Fitchburg, Boston (Roxbury and Dorchester), Brockton and Cambridge. The neighborhoods designated have usually been very small, encompassing only several blocks.

Funding

Funds used for the program were funds left over from 705. In addition, the program staff helps plan activities and put together a variety of funding sources including: Chapter 707 and 705, CDBG funds, NSA funds, Section 8, and commitments from local banks.

Applicability to the North End

First, it is unclear whether the North End fits the definition of the kind of neighborhood NIP is to be used in.

In addition, the feeling seems to be that there is little likelihood the program will be continued. It turned out to be a very expensive program (the cost per unit to rehabilitate was very high) and the funds used for it, in the first place, were there on a one-time basis only.

COMMUNITY REINVESTMENT ACT OF 1977

General Description

Title VIII of the Housing and Community Development Act of 1977 requires four regulatory agencies (the Federal Home Loan Bank Board, the Comptroller of the Currency, the Federal Reserve Board, and the Federal Deposit Insurance Corporation) to use their authority to encourage lending institutions to help meet the credit needs of the local communities in which they are chartered. Lenders must serve the entire community, via loans to moderate-income housing cooperatives, low-interest second mortgages for home rehabilitation, and small business loans and budget counselling for moderate-income buyers. The draft regulations were issued by the Federal Deposit Insurance Corporation, but all four agencies are supposed to have similar rules, with only minor technical differences.

Regulations

A bank would be allowed to define its community as the area where it makes a substantial portion of its loans, using boundaries such as state or county lines, SMSA's, etc. ,but cannot exclude low and moderate-income communities. Moreover, the regulations stipulate that the board of directors of each lending institution must adopt and implement a community reinvestment statement for public inspection, defining the boundaries of the CRA community and listing the specific types of credit available and the special programs or steps it plans for meeting the credit needs of the community.

The regulations identify 14 factors in evaluating a lending institution's performance in meeting the credit needs of the community. Among these are: the community's participation in the bank's policies and plans related to credit services; the bank's efforts to ascertain the credit needs of the community; the extent and effectiveness of loan marketing; the participation of the lending institutions's board in the reinvestment plan; any evidence of refusals of credit based on discriminatory practices in lending; participation in government-sponsored community development projects; the extent of community development loans; the history of the institution's lending practices vis-a-vis existing community members and new residents; and the geographical distribution of the bank's loans.

Criticisms of the Regulations

(1) The vagueness and flexibility of the regulations defeat the legislative intent of the law.

(2) Lack of a comprehensive community reinvestment plan.

(3) Failure to provide a systematic means for lending institutions to reach out to those in need of credit services. It does not require a marketing program, counselling service, or participation in government-sponsored community economic development projects, nor does it require a listing of terms and rates for the loans each lending institution provides.

(4) The regulations fail to tie the lending capacity of a bank to its definition of the community.

(5) Regulations lack adequate enforcement powers and would be applied only when and if a lending institution is in an application process for expansion, relocation, consolidation, or merger.

Organizations Working to Change Regulations

The Citizens Working Group on the Community Reinvestment Act, a broad coalition of public officials, community, civil rights, labor and public interest groups.

National Commission on Neighborhoods.

MASSACHUSETTS HOUSING FINANCE AGENCY (MHFA)

General Description

The Massachusetts Housing Finance Agency (MHFA) was established in 1966 as one of the first of state financing agencies. It is a quasi-governmental bank which finances housing construction for a mixed-income population, thus avoiding the separation of low-income people into low-income projects. By law, at least one-fourth of the units in any development financed by the agency must be for low-income people. The remainder of the units are for persons of moderate to middle income.

By 1975, MHFA was one of the leading state housing finance agencies in the country. It had financed 30,000 units, more than the state public housing program had produced in 25 years.

MHFA relies on private financial institutions and wealthy individuals to get the money to lend. It sells short-term notes to finance housing construction and the funds obtained by selling the notes are then made available to private developers in the form of mortgage loans. Once construction is completed the money to repay the principal and interest on MHFA's notes is supposed to come from the sale of long-term bonds (40-year), also issued by MHFA. Since MHFA dpends on repayment of its mortgage loans for income to pay the debt service on these bonds, the interest on project mortgages is set at the prevailing bond rate plus 1/2% extra to cover MHFA's administrative costs.

Tax exemption makes it possible for wealthy creditors and developers to invest in mixed-income housing and still maintain high profit.

Who Can Apply

MHFA is authorized to make first mortgage loans to private sponsors, joint ventures, partnerships, limited partnerships, trusts, corporations, cooperatives - whether nonprofit or limited dividend - to finance the new construction or rehabilitation of multi-dwelling housing projects designated and planned to be available at low and moderate rentals.

Criterion for Reviewing Development Plan

All construction and rehabilitation financed by MHFA must be consistent with the HAP.

How To Apply

In order for MHFA to entertain an application for a housing proposal, you first must submit information about the proposed site and the group or entity which is making the proposal. This initial submission should include a site map with a general plan and boundaries. Also information about the people responsible - the sponsor, the developer, the architect, the lawyer, the contractor, the manager and various consultants - with a supporting statement as to their contractual and financial arrangements.

MHFA provides a form for the application. You will be asked to give complete economic information such as the incomes you expect to receive and the costs you expect to incur while developing the housing. You must show that you own or contract the site, that you have a plan for selecting tenants and for managing and operating the housing when it is completed, that you have studied the local rent levels and that yours are marketable; that you have studied the locale and the impact of your housing physically and socially on the neighborhood and the community. And you must submit a preliminary design with specifications on the quality of materials to be used.

MHFA provides your lawyer with an agenda of legal papers, instruments and documents that must be presented at the closing.

While the housing is being built or rehabilitated, MHFA will keep in touch with you, your architect and your contractor. The Agency requires you to observe its scheduled program of inspections to assure compliance with the plans and specifications.

Once completed, the project then focuses on tenant selection. You must conform to your plan for choosing tenants and your plan for managing the property. If people have been displaced as a tesult of your project, you must give them an opportunity to move into the new project.

Terms of the Mortgage

MHFA can loan up to 100% cost for nonprofits and up to 90% for other owners and developers. Currently, the interest charged is 7½%.

Scope of the Program

As of September 30 of this year, the end of the fiscal year, the Agency had approved 30 loan commitments totalling $157,646,855

for 4,555 units. In fiscal year 1978, the Agency started off with about $1 million in Section 8 subsidies and by the completion of the fiscal year the subsidies had grown to $12 million and every dollar had been committed. The new fiscal year was begun on October 1 with no subsidies.

However, the NSA program has brought into Massachusetts funds to rehabilitate 3,728 units. While the subsidies go to the communities involved, the program requires state housing loan agency involvement and MHFA will be involved in both permanent mortgage loan and construction financing in these projects. However, MHFA is concerned that HUD may consider this allocation of subsidies as an MHFA allocation and thereby decrease its new Section 8 allocation this fiscal year. HUD's new budget includes 330,000 units and MHFA wants at least 4,200 units for fiscal '79.

Many housing applications coming in are strictly for elderly housing, a situation which puts the agency in a dilemma, since its obligation is also to produce family housing. Currently, 65% of the units that were produced were for family housing.

Applicability to the North End

If a CDC, or other form of nonprofit corporation were formed, MHFA would be the preferable lending source since the interest rates are below market rate and rent subsidies are guaranteed.

However, the North End would be competing with other applicants from all over the state. Already this year, before new subsidy money has been given to MHFA, many new applications are being processed and it is unclear how high a priority the neighborhood would receive.

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